



The American Chamber
of Commerce in Jordan

GUIDE TO **DOING BUSINESS** IN THE U.S.



Developed By:



U.S. - Jordan
Free Trade Agreement Unit



USAID
FROM THE AMERICAN PEOPLE



INVESTMENT
CONSULTING ASSOCIATES

DOING BUSINESS GUIDE 2018


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FOREWORD

I am delighted to present to you the "trade guides" on doing business between USA and Jordan. The guides are the result of handwork by our good staff at AmCham and our associates, to whom we are truly thankful.

I trust that you will find them useful and appreciate your feedback which will help us to achieve continuous improvement on future releases.



Mohammed S. Bataineh

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INTRODUCTION

1 Introduction

The United States (US) and Jordan established diplomatic relations as early as January 31st, 1949, which paved the way for a solid and strong relationship of bilateral trade and investment. This was further reinforced by the signing of the Qualified Industrial Zones (QIZs) Arrangement in 1996 and the Bilateral Investment Treaty (BIT) in 1997 as well as the Free Trade Agreement (FTA), which was signed between the US and Jordan in 2000, making Jordan the first Arab country to sign a FTA with the US.¹ This favorable framework consolidated further in the 21st century.

1.1 United States

The top reasons to export to the US include:

1. Single most **prosperous consumer market** in terms of economic size and purchasing power. The country is the third-largest country in the world in both population and size. The US provides a considerable market for nearly every product or service given the diversity and wealth of its 327 million consumers.² All states except Wyoming and Vermont are larger than Jordan's economy of \$38,65 billion in 2016.³ This large consumer market requires a considerable scale, volume, and supply.
2. Advantageous **favorable access to the US market** for Jordanian-based companies due to the QIZ Arrangement, BIT, and FTA – both for exporters as well as investors. This presents Jordanian businesses with greater opportunities to do business with the US and puts them at a competitive advantage vis-à-vis firms from other Arab countries. The agreements enable Jordanian firms who are able to sell high-quality products at more attractive prices, as tariff barriers on the majority of goods traded between the Jordan and the US have been eliminated.
3. Competitive and **investor-friendly business environment**. The US ranks high on international rankings that measure the ease of doing business and competitiveness of economies. For instance, the US ranks 6th out of 190 countries on the World Bank's Doing Business Index⁴ and 2nd out of 137 countries on the World Economic Forum's Global Competitiveness Index.⁵ The US' favorable business environment is driven by economic and political stability, strong innovation, business sophistication, continuous strive for liberalization and deregulation, readily available financing and equity, efficient labor market, highly educated and well-trained workforce, and stable financial market in combination with well-established marketing, supply, logistic, and distribution channels. Government regulation is generally lower compared to many other countries while the US historically has a welcoming policy towards investors.

These reasons make the US a very attractive market for Jordanian businesses, both for trade as well as investment.

1 Jordan Economic & Commerce Bureau (2018), "Jordan-US Economic Relations," available at http://www.jordanecb.org/public/English.aspx?Lang=1&Page_Id=1372&Menu_ID=31

2 US Census Bureau (2018), "U.S. and World Population Clock," available at <https://www.census.gov/popclock/>

3 The World Bank (2018), "World Bank Open Data," available at <https://data.worldbank.org/country/jordan>

4 The World Bank (2018), "World Bank Doing Business Index – US," available at <http://www.doingbusiness.org/data/exploreconomies/united-states>

5 World Economic Forum (2018), "Global Competitiveness Index – US," available at <https://www.weforum.org/reports/the-global-competitiveness-report-2017-2018>

Introduction

States	50
Capital	Washington D.C.
Largest City	New York City
Area	9,147,593 km ²
Population (2017)	325,719,178
Arab Ancestry¹ (2013)	1,367,916
GDP (2017)	\$19.38 trillion
Median Income (2016)	\$55,322

Currency	Dollar (\$)
Languages	English, Spanish
Time Zones	UTC-5/-6/-7/-8

Country Code	001 or +1
ISO 3166 Code	US
Internet Code	.us



Demographics



Economy²

Households (2012-2016)	117.7 mln
Unemployment Rate (2017)	4.1%
Labor Force	160.6 mln
Persons >65 years (2016)	15.2%
Persons <18 years (2016)	22.8%

Real Estate	15.3%
Finance & Insurance	8.7%
Healthcare	8.4%
Professional/Scientific Services	8.1%
Durable Goods Manufacturing	7.2%



Key Imports³



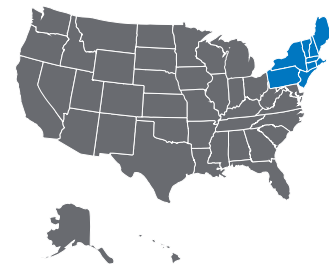
Key Exports

Passenger Cars	7.0%
Crude Oil	5.8%
Cell phones & Household Goods	4.7%
Other Vehicles Parts/Accessories	4.4%
Pharmaceutical Preparations	4.3%
Telecommunications equipment	3.3%
Computers	2.9%
Computer Accessories	2.7%
Semiconductors	2.7%
Industrial Machines	2.3%

Other Vehicles Parts/Accessories	3.8%
Other Industrial Machines	3.6%
Other Petroleum	3.6%
Civilian Aircraft	3.6%
Passenger Cars	3.5%
Semiconductors	3.2%
Pharmaceutical Preparations	3.1%
Electric Apparatus	2.8%
Engines-Civilian Aircraft	2.8%
Telecommunications Equipment	2.5%

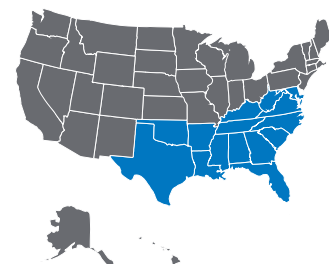
Sources: US Census (2018), Bureau of Labor Statistics (2018), US Bureau of Economic Analysis (2018), and AAI (2015)

The US comprises 50 states, the capital city of Washington District of Columbia (DC), and various overseas territories including Puerto Rico, the US Virgin Islands, and areas of the Pacific Ocean. However, the regions and states that make up the US cannot be perceived as one single and homogenous market. States develop and implement their own regulations on doing business (e.g. registration and tax incentives) while consumer behavior, preferences, demographics, and culture differ across the US. Given this complexity in combination with the vast size of the US market, it is important to further segmentize the US market in order to optimize exports, become highly targeted, and identify the best mode to reach the right consumer. It should be noted the transfer of goods, money, and people between these regions and states is free.



Northeast

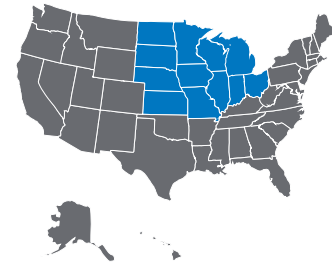
States	Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont		
Area	419,357 km ²	Median Household Income (2016)	\$64,974
Population (2016)	56,209,510 (254,062 Arab ancestry)	Per Capita Income (2016)	\$35,758
Description	The Northeast is home to a number of prestigious educational institutions and universities, making it a hub for media, culture, technology, and medical institutions while New York City hosts a large cluster of companies active in the financial services and insurance.		



South

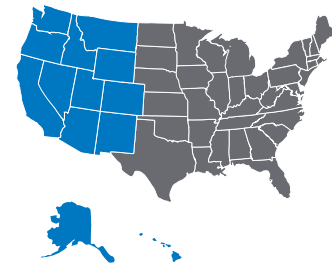
States	Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, Washington DC, West Virginia,		
Area	2,249,495 km ²	Median Household Income (2016)	\$52,678
Population (2016)	122,319,574 (300,281 Arab ancestry)	Per Capita Income (2016)	\$28,865
Description	Part of the South region is focused on public and Government services in the capital while corporate-friendly Delaware, Atlanta, Austin, Dallas, Houston, Miami, and Virginia have developed into centers of commerce and tourism. The petroleum sector is present in Texas.		

Midwest



States	Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin		
Area	1,943,880 km ²	Median Household Income (2016)	\$55,712
Population (2016)	67,941,431 (392,144 Arab ancestry)	Per Capita Income (2016)	\$30,293
Description	Warehousing, logistics, and manufacturing have long been the key sectors in the Midwest. The region still functions as transportation hub with a focus on (advanced) manufacturing and agriculture given its central location in the US.		

West



States	Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming		
Area	4,535,284 km ²	Median Household Income (2016)	\$63,202
Population (2016)	76,657,000 (412,429 Arab ancestry)	Per Capita Income (2016)	\$32,086
Description	Silicon Valley and Seattle are world-leading centers for advanced manufacturing, electronics, and information & communication technologies while the film, media, and tourism industries are strongly represented in Arizona, Los Angeles, and Nevada.		

Source: *Census Reporter (2016) and AAI (2015)*

Therefore, this Guide specifically focuses on four states that may be of specific interest to Jordanian businesses. These states have been selected based on the domestic market growth potential as well as existing cultural and economies ties with Jordan, and California, Illinois, Michigan, and New York. The following sections provide a brief profile for each of the state with key information on economy, demography, geography, labor force, imports, and exports, while the subsequent section provides a more detailed profile of the focus cities in these four states.



1.2 California

States	California (CA)
Capital	Sacramento
Largest City	Los Angeles
Area	403,466 km ²
Time Zone	Pacific Time Zone (PTZ)
Population (2017)	39,536,653
Arab Population (2013)	324,609
Median Income (2016)	\$63,783



Demographics

Households (2012-2016)	12,807,387
Unemployment Rate (2017)	4.3%
Labor Force	19,386,300
Persons >65 years (2016)	13.6%
Persons <18 years (2016)	23.2%



Economy⁴

Real Estate	19.3%
Information	10.0%
Professional/Scientific Services	9.3%
Durable Goods Manufacturing	7.3%
Healthcare	7.1%



Key Imports⁵

Medium-Sized Cars	10.7%
Laptop Computers	4.2%
Phones for Cellular & Wireless Networks	3.9%
Large-Sized Cars	3.6%
Crude Oil	3.0%
Telephone Equipment	2.9%
Processors & Controllers	2.4%
Computer Parts & Accessories	1.7%
Photosensitive Devices	1.3%
Flat Panel Televisions	1.2%



Key Exports

Civilian Aircraft, Engines & Parts	4.5%
Telephone Equipment	4.3%
Worked Diamonds	3.4%
Semiconductor Manufacture	2.0%
Almonds	2.0%
Phones for Cellular & Wireless Networks	1.6%
Antisera, Other Blood Fractions & Immunological Products	1.6%
Spacecraft & Suborbital & Spacecraft Launch Vehicles	1.5%
Other Medical Instruments & Appliances	1.3%
Passenger Motor Vehicles	1.2%

Inward Foreign Direct Investment

Value % of US (2017)	\$4.97 bln 4.4%
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Outward Foreign Direct Investment

Value % of US (2017)	\$29.93 bln 34.1%
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Sources: US Census (2018), Bureau of Labor Statistics (2018), US Bureau of Economic Analysis (2018), AAI (2015), and fDiMarkets.com (2018)



Source: University of Texas Libraries (2002)



ILLINOIS

1.3 Illinois

States	Illinois (IL)
Capital	Springfield
Largest City	Chicago
Area	143,793 km ²
Time Zone	Central Standard Time (CST)
Population (2017)	12,802,023
Arab Population (2013)	111,484
Median Income (2016)	\$59,196



Demographics

Households (2012-2016)	4,802,124
Unemployment Rate (2017)	4.8%
Labor Force	6,464,400
Persons >65 years (2016)	14.6%
Persons <18 years (2016)	22.9%



Economy⁶

Real Estate	14.8%
Information	11.7%
Professional/Scientific Services	8.8%
Durable Goods Manufacturing	8.5%
Healthcare	7.8%



Key Imports⁷

Crude Oil	11.6%
Phones for Cellular & Wireless Networks	9.5%
Airplane Parts	4.0%
Laptop Computers	2.6%
Packaged Medicines for Retail	2.3%
Beer	2.0%
Telephone Equipment	1.8%
Turbojets of a Thrust > 25 Knots	1.3%
Other Video Game Consoles	1.1%
Electrical Controls	1.1%



Key Exports

Light Oils & Preparations	4.7%
Soybeans	3.9%
Packaged Medicines for Retail	2.1%
Large-Sized Cars	1.8%
Civilian Aircraft, Engines & Parts	1.8%
Medical & Dental Equipment	1.8%
Telephone Equipment	1.7%
Phones for Cellular & Wireless Networks	1.5%
Miscellaneous Vehicle Parts	1.2%
Brewing or Distilling Dregs & Waste	1.0%

Inward Foreign Direct Investment

Value % of US (2017)	\$0.74 bln 0.7%
-------------------------------	-------------------

Outward Foreign Direct Investment

Value % of US (2017)	\$3.24 bln 3.7%
-------------------------------	-------------------

Sources: US Census (2018), Bureau of Labor Statistics (2018), US Bureau of Economic Analysis (2018), AAI (2015), and fDiMarkets.com (2018)



Source: University of Texas Libraries (2002)



1.4 Michigan

States	Michigan (MI)
Capital	Lansing
Largest City	Detroit
Area	146,435 km ²
Time Zone	Eastern Standard Time (EST) ⁸
Population (2017)	9,962,311
Arab Population (2013)	223,075
Median Income (2016)	\$50,803



Demographics

Households (2012-2016)	3,860,394
Unemployment Rate (2017)	4.7%
Labor Force	4,887,500
Persons >65 years (2016)	16.2%
Persons <18 years (2016)	22.1%



Economy⁹

Durable Goods Manufacturing	16.7%
Real Estate	13.5%
Healthcare	9.0%
Professional/Scientific Services	8.5%
Wholesale Trade	7.3%



Key Imports¹⁰

Large-Sized Cars	14.0%
Medium-Sized Cars	13.5%
Motor Vehicles for Goods Transport	9.1%
Small-Sized Cars	3.4%
Large Piston Engines	3.2%
Vehicle Body Parts	3.0%
Miscellaneous Vehicle Parts	2.9%
Chair Parts	2.2%
Vehicle Gear Boxes	2.1%
Other Motor Vehicles for Goods Transport	1.7%



Key Exports

Motor Vehicles for Goods Transport	8.6%
Large-Sized Cars	6.4%
Vehicle Body Parts	6.1%
Vehicle Gear Boxes	4.2%
Miscellaneous Vehicle Parts	4.1%
Medium-Sized Cars	2.2%
Large Piston Engines	2.2%
Rear-View Mirrors for Vehicles	1.8%
Silicon	1.6%
Drive Axles with Differential for Motor Vehicles	1.6%

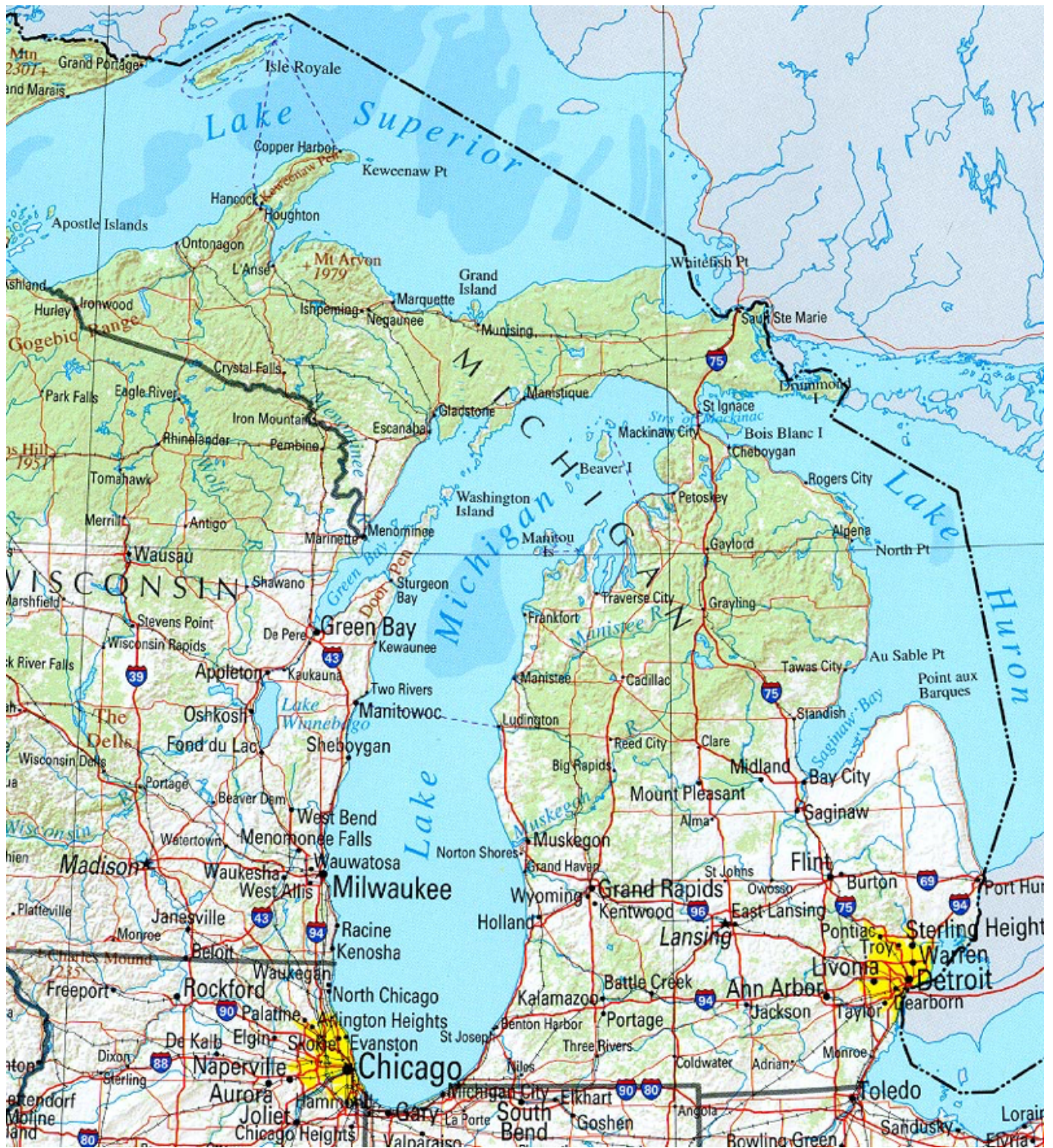
Inward Foreign Direct Investment

Value % of US (2017)	\$2.48 bln 2.2%
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Outward Foreign Direct Investment

Value % of US (2017)	\$6.75 bln 7.7%
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Sources: US Census (2018), Bureau of Labor Statistics (2018), US Bureau of Economic Analysis (2018), AAI (2015), and fDiMarkets.com (2018)



Source: University of Texas Libraries (2002)



1.5 New York

States	New York (NY)
Capital	Albany
Largest City	New York City
Area	122,057 km ²
Time Zone	Eastern Standard Time (EST)
Population (2017)	19,849,399
Arab Population (2013)	152,675
Median Income (2016)	\$60,741



Demographics

Households (2012-2016)	7,266,187
Unemployment Rate (2017)	4.6%
Labor Force	9,685,000
Persons >65 years (2016)	15.4%
Persons <18 years (2016)	21.2%



Economy¹¹

Finance & Insurance	20.2%
Real Estate	16.5%
Professional/Scientific Services	9.4%
Healthcare	8.0%
Retail Trade	5.4%



Key Imports¹²

Worked Diamonds	16.6%
Non-Monetary Gold	4.4%
Paintings, Drawing & Pastels	4.0%
Jewelry & Parts Thereof	2.7%
Other Articles of Precious Metal	1.1%
Natural Gas & Gaseous	0.9%
Rubies, Sapphires & Emeralds	0.8%
Silver	0.7%
Other Airplanes & Other Aircraft	0.6%
Original Sculptures & Statuary	0.6%



Key Exports

Worked Diamonds	16.2%
Paintings, Drawing &	8.9%
Jewelry & Parts Thereof	7.4%
Non-Monetary Gold	6.6%
Original Sculptures & Statuary	1.8%
Civilian Aircraft, Engines & Parts	1.4%
Rubies, Sapphires & Emeralds	1.4%
Vaccines for Human Medicine	1.0%
Unworked Diamonds	0.8%
Phones for Cellular & Wireless Networks	0.8%

Inward Foreign Direct Investment

Value % of US (2017)	\$6.37 bln 5.7%
-------------------------------	-------------------

Outward Foreign Direct Investment

Value % of US (2017)	\$15.12 bln 17.7%
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Sources: US Census (2018), Bureau of Labor Statistics (2018), US Bureau of Economic Analysis (2018), AAI (2015), and fDiMarkets.com (2018)



Source: University of Texas Libraries (2002)

1.6 Focus Cities: Chicago, Detroit, Los Angeles, New York City, & San Francisco



Chicago

Metropolitan Area	Chicago-Naperville-Elgin
State(s)	IL, IN, WI
Area	18,640 km ²
Population (2016)	9,512,999
Arab Population (2013)	80,000 ¹³
Median Income (2016)	\$66,020
Per Capita Income (2016)	\$34,689



Demographics

Households (2016)	7,266,187
High School Grad (2016)	4.6%
Bachelor's Degree (2016)	9,685,000
Foreign-Born Population (2016)	15.4%
Median Age (2016)	21.2%



Key Infrastructure

Airport(s)	Chicago O'Hare International Airport; Chicago Midway International Airport
Port(s)	Ports of Chicago; Indiana-Burns Harbor
Interstate(s)	I-55, I-57, I-65, I-80, I-90, I-94, I-290, I-294, I-355

Detroit



Metropolitan Area	Detroit-Warren-Dearborn
State(s)	MI
Area	10,073 km ²
Population (2016)	4,297,617
Arab Population (2013)	185,000 ¹⁴
Median Income (2016)	\$56,142
Per Capita Income (2016)	\$31,574



Demographics

Households (2016)	1,689,859
High School Grad (2016)	89.7%
Bachelor's Degree (2016)	30.4%
Foreign-Born Population (2016)	9.7%
Median Age (2016)	40.1



Key Infrastructure

Airport(s)	Detroit Metropolitan Wayne County Airport
Port(s)	Ports of Detroit; St. Clair
Interstate(s)	I-75, I-69, I-94, I-96, I-275

Sources: Proximity One (2013), US Census Bureau (2016), Census Reporter (2016), and AAI (2015)



Los Angeles

Metropolitan Area	Los Angeles - Long Beach - Anaheim
State(s)	CA
Area	12,559 km ²
Population (2016)	13,310,447
Arab Population (2013)	120,000 ¹⁵
Median Income (2016)	\$65,950
Per Capita Income (2016)	\$32,594



Demographics

Households (2016)	4,337,807
High School Grad (2016)	79.9%
Bachelor's Degree (2016)	33.5%
Foreign-Born Population (2016)	33.6%
Median Age (2016)	36.6



Key Infrastructure

Airport(s)	Los Angeles International Airport; Santa Ana John Wayne Airport
Port(s)	Port of Long Beach; Los Angeles
Interstate(s)	I-5, I-10, I-15 I-105, I-110, I-210, I-215 I-405, I-605



New York City

Metropolitan Area	New York-Newark-Jersey City
State(s)	NJ, NY, PA
Area	21,479 km ²
Population (2016)	20,153,634
Arab Population (2013)	75,000 ¹⁶
Median Income (2016)	\$71,897
Per Capita Income (2016)	\$38,894



Demographics

Households (2016)	7,118,024
High School Grad (2016)	86.1%
Bachelor's Degree (2016)	39.0%
Foreign-Born Population (2016)	29.3%
Median Age (2016)	38.2



Key Infrastructure

Airport(s)	JFK International; Airport Newark Liberty International Airport; LaGuardia Airport
Port(s)	Ports of New York & New Jersey; Newark
Interstate(s)	I-78, I-80, I-87, I-95, I-278, I-280, I-287 I-295, I-495, I-678, I-684

Sources: Proximity One (2013), US Census Bureau (2016), Census Reporter (2016), and AAI (2015)

San Francisco



Metropolitan Area	San Francisco - Oakland - Hayward
State(s)	CA
Area	6,417 km ²
Population (2016)	4,679,166
Arab Population (2013)	Not available ¹⁷
Median Income (2016)	\$96,677
Per Capita Income (2016)	\$49,579



Demographics

Households (2016)	1,691,781
High School Grad (2016)	88.7%
Bachelor's Degree (2016)	48.5%
Foreign-Born Population (2016)	30.9%
Median Age (2016)	38.8



Key Infrastructure

Airport(s)	San Francisco International Airport; Oakland International Airport
Port(s)	Ports of Richmond; Oakland
Interstate(s)	I-80, I-205, I-280, I-580, I-680, I-780, I-880, I-980

Sources: Proximity One (2013), US Census Bureau (2016), Census Reporter (2016), and AAI (2015)

1.7 Jordan – United States Trade & Investment Relations

The US remains by far the largest export market for Jordanian companies as a quarter of all Jordanian exports are directed towards the US, thereby representing a considerably larger share than Jordanian exports to regional markets such as Saudi Arabia (14.2%), Iraq (6.8%), the United Arab Emirates (5.6%), and Kuwait (5.1%).⁶

Trade in goods between the US and Jordan has accelerated over the last 20 years, up from \$428 million in 1997 to \$3.37 billion in 2017⁷. The surge in exports from Jordan to the US from the early 21st century onwards is driven by US - Jordan Free Trade Agreement (FTA) which entered into force in December 2001 and which eventually lead to a record-high trade surplus of \$772 million in 2006. Despite a slowdown of exports from Jordan to the US from 2006 to 2009, exports have picked up again and amounted up to \$1.56 billion in 2017.

Data on trade in services between the US and Jordan is relatively scarce but available data indicates trade in services equalled approximately between \$1.2 and \$1.3 billion with a slight trade deficit for Jordan. The value of exported services from Jordan to the US equalled \$592 million in 2016 with most of the exports concentrated in travel (\$221 million in 2016), air transport of passengers (\$162 million in 2016), and air transport of freight (\$71 million in 2016) and indicates many exporting opportunities for other sectors and commodities.

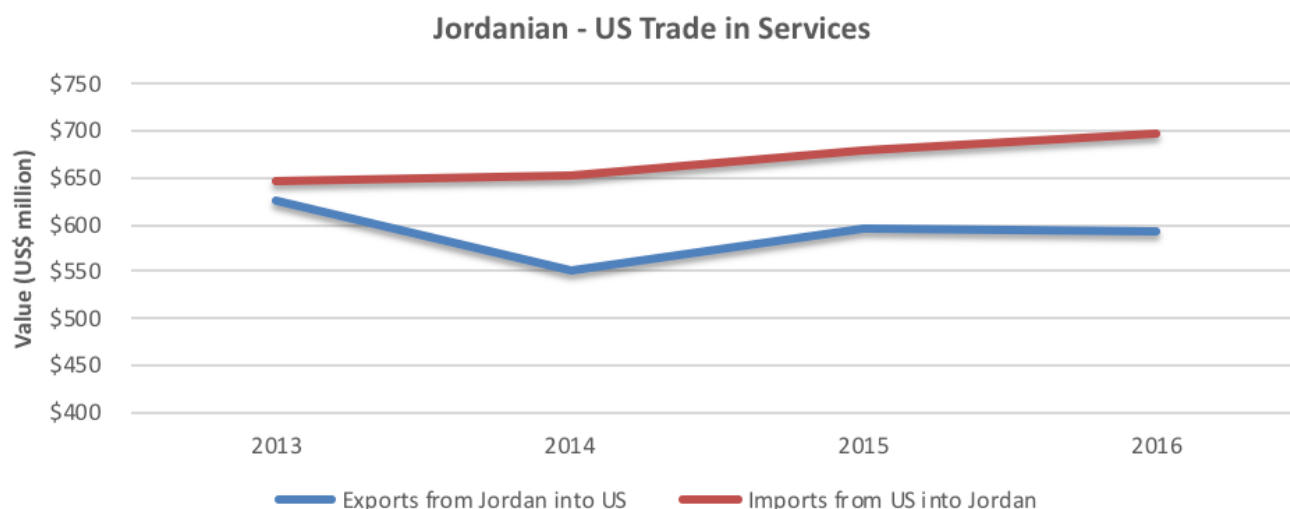
Figure 1.1 Jordanian – US trade in goods (1997-2017)



Source: US Census Bureau (2018)

⁶ CIA World Fact Book (2016), "Exports – Partners," available at <https://www.cia.gov/library/publications/the-world-factbook/fields/2050.html>

⁷ US Census Bureau (2018), "Trade in Goods with Jordan," available at <https://www.census.gov/foreign-trade/balance/c5110.html>

Figure 1.2 Jordanian – US trade in services (2013-2016)

Source: OECD Statistics (2018)

Data on bilateral investment is difficult to obtain due to confidentiality or non-punishable data but estimates vary from \$2 million of investment from Jordanian companies into the US in 2007⁸ up to \$28 million in 2014.⁹ Three vehicles that have boosted trade and investment between Jordan and the US to unprecedented levels include the Bilateral Investment Treaty (BIT), Qualifying Industrial Zones (QIZs) Arrangement, and the Free Trade Agreement (FTA).

Qualifying Industrial Zones Arrangement

The US Congress enabled the establishment of Qualifying Industrial Zones (QIZs) in Jordan in 1996 with the objective to further increase market access of Jordanian companies to the US market. Products manufactured within these QIZs qualify for duty-free as well as quota-free access to the US, assuming a certain level of local content:

1. 35% Jordanian content, of which:
 - a. 11.7% must come from a Jordanian QIZ.
 - b. 8% from Israel (7% for high-tech goods).
 - c. The remainder of the minimum may be fulfilled by content from a Jordan QIZ, Israel, US, or West Bank/Gaza.
2. 20% Jordanian content complemented by 15% US content.

The benefits provided by the QIZ arrangement was particularly important for Jordanian products for which tariffs had not yet been phased out under the US - Jordan FTA. Under the QIZ arrangement, these goods would enjoy immediate elimination of tariffs and quotas and would require a lower level of Jordanian inputs. The first QIZ was created in Irbid in November 1997 while another 12 QIZs have been established throughout Jordan subsequently. QIZ products still account for more than half of Jordanian exports to the US though the QIZ share is declining relative to total products shipped under the FTA.¹⁰

Source: Office of Textiles and Apparel (2018)

⁸ OECD Statistics (2018), "FDI statistics according to Benchmark Definition 3rd Edition (BMD3)," available at <http://stats.oecd.org/index.aspx#>

⁹ OECD Statistics (2018), "FDI statistics according to Benchmark Definition 4th Edition (BMD4)," available at <http://stats.oecd.org/index.aspx#>

¹⁰ Office of the United States Trade Representative (2018), "Jordan Free Trade Agreement," available at <https://ustr.gov/trade-agreements/free-trade-agreements/jordan-fta>

Bilateral Investment Treaty

The Bilateral Investment Treaty (BIT) between Jordan and the US was signed in 1997 and entered into force in 2003. The agreement provides reciprocal protection of Jordanian and US individual and corporate investments and is in compliance with highest international investment protection standards as well as with US principal objectives in bilateral treaty negotiations. BIT protects investors from performance requirements, restrictions on transfers, and arbitrary expropriation and specifies regulations with regards to entry, stay and employment, dispute settlement, legal rights, taxation, benefits, and compensation for political circumstance damages.

Source: *AmCham-Jordan (2009)*

Free Trade Agreement

The bilateral Free Trade Agreement (FTA) between Jordan and the US entered into force in December 2001 with full phasing-out of duties completed by January 2010. The FTA eliminates virtually all tariffs and reduces trade barriers. The FTA furthermore provides cutting-edge protection for intellectual property (IP) and ensures regulatory transparency, further liberalizing, simplifying, and encouraging bilateral trade. The US - Jordan FTA rules of origin require that Jordanian exports to the US must have 35% Jordanian content in order to qualify for the FTA duty benefits. This implies no less than 35% of the customs value of the imported product must be attributed to Jordanian origin materials and/or Jordanian direct costs of processing.¹¹ Certain conditions apply to commerce traded through this FTA:

1. The Merchandise Processing Fee (MPF)¹² is still levied on commerce exported to the US.
2. Commerce may not enter a 3rd country except for non-retail sale where the importation is the result of the original transaction while commerce may not undergo further production in a 3rd country.

Source: *US Customs & Border Protection (2015)*

Tip 1.1

Conducting research into what area of the focus cities provides the best location for your business or operations is critical as US cities are large. Many neighborhoods and parts of US cities are being redeveloped or revitalized while urban infrastructure (e.g. urban transit and bridges) is being upgraded, providing considerable opportunities Jordanian businesses can tap into when looking to do business in the US. Specific opportunities in specific areas of focus cities include:

- Detroit – Various master plans have been drafted to encourage urban redevelopment and revitalization across Detroit. Neighborhoods include Detroit's downtown, 7-Mile/Livernois, Brightmoor, East English Village, Grand River/Greenfield, North-End, and Osborn. Urban revitalization and redevelopment in Detroit is led by the Planning and Development Department.

¹¹ If this product also has US content, up to %15 of the US content can count toward the requirement of %35 Jordanian content

¹² The MPF is an ad valorem fee of %0.3464 of the value of the merchandise being imported into the US, not including duty, freight, and insurance charges, with a minimum amount of 25\$ and a maximum amount of 485\$

- Chicago – A number of developments in Chicago are focused on recreation and transit, including the Chicago Lakeside Master Plan. The Chicago Neighborhood Initiatives (CNI) was formed in 2010 to coordinate resources, economic development, and revitalization of Chicago's neighborhoods. Urban revitalization and redevelopment in Chicago is led by the Department of Planning and Development.
- Los Angeles – Focus of redevelopment and revitalization in Los Angeles is on the Los Angeles River Master Plan and Sustainable City plan. Moreover, considerable investment opportunities exist for upgrading urban infrastructure and recreation as Los Angeles is hosting the Olympics in 2028. Urban revitalization and redevelopment in Los Angeles is led by the Department of City Planning.
- New York – Strategic objectives within the city of New York focus on long-term neighborhood improvement, making the city flood resilient, encouraging housing production, and promoting economic development and growth. Urban revitalization and redevelopment in New York is led by the Department of City Planning.
- San Francisco – San Francisco's redevelopment and revitalization projects are concentrated around a comprehensive strategy based on three E's: Environment, Equity, and Economy. Neighborhood-scale sustainability has priority and is currently executed in neighborhoods such as China Town, Central SoMa Eco-District, Mission Rock, Pier 70, and India Basin. Urban revitalization and redevelopment in San Francisco is led by the Planning Department.

Checklist

- Do you need to be involved in the US at all?
- Do you wish to do business in, sell in, or buy from the US?
- Do you see the US as part of a wider approach to enter the North American market?
- What are the strengths and weakness for your product or service?
- Do you know if there is demand for your product or service?
- Do you have the right market expertise in terms of consumer attitudes, buying habits, and styling nuances; ?
- Do you know your business' competitive advantage in the US?
- Are your competitors already operating in the US?
- Can you supply the desired scale, volume, and supply to the US market?
- Have you segmented the US market and/or identified your niche market?
- Do you know how to best reach potential customers in your segmented and/or identified niche markets?
- Do you know where to start your business in the US?
- Do you know how to screen potential locations to start your business in the US?
- Are you aware of antitrust regulations in the US applicable to your sector or industry?

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02

**SETTING UP
A BUSINESS**

2 Setting Up a Business

The first step for any company looking to do business in the US is to set up a company. It is not mandatory for a foreign company to set up and register in order to do business in the US as the Internal Revenue Service (IRS) will bill a foreign company for the domestic tax it owes. However, it is easier to manage US business through a US subsidiary or affiliate, mainly for practical reasons (e.g. correspondence with the Internal Revenue Services through regular mail) and the ability to control tax liability by locating in states with lower (corporate) income tax rates. Setting up a company should not be underestimated as it may involve a number of procedures and paperwork to be completed, which in turn require a considerable amount of time and efforts. This section explores the most important actions to be undertaken when looking to set up a company in the US.

2.1 Federal

Setting up a company in the US entails three steps:

1. Decide the legal business structure.
2. Register with the Government.
3. Obtain an Employer Identification Number.

2.1.1 Decide the Legal Business Structure

Varying business structures exist throughout the US. Each has specific properties, benefits, risks, and legal protections that will consequently influence aspects of operations within the business as well as possible personal aspects outside the business. The following is an overview of the major legal business structures, including various types of corporations – where personal liability is separated from the company’s liability – sole proprietorship, and partnerships. Please refer to Section 5 for more detailed information on the taxation rates per legal business structure and to Section 7 for more detailed information on the legal liabilities per legal business structure.

C Corporation

A C corporation is a legal entity separated from its owners. Corporations offer the strongest protection to its owners from personal liability but the cost to form a corporation is higher than other legal business structures. Corporations also require more extensive record-keeping, operational processes, and reporting while the sale of stock provides an alternative way to raise capital. The C corporation will continue doing business undisturbed in case a shareholder leaves the company or sells their stock. The corporation will be taxed double: first on the corporate level and second on dividends distributed to shareholders.

Tip 2.1

Most foreign investors select a C corporation as legal business structure as it protects them from direct IRS scrutiny while offering unlimited stock. In addition, (foreign) corporate shareholders typically qualify for a lower dividend rate. As mentioned, the “cost” for these advantages is that C corporations are taxed twice (i.e. corporate profits and dividends). In many cases, however, tax planners can use salaries, pension costs, and other expenses to reduce the taxable corporate income.¹³

¹³ Investopedia (2018), “Starting Your Own U.S. Business As A Foreigner,” available at <https://www.investopedia.com/articles/personal-finance/032615/starting-your-own-us-business-foreigner.asp>

Personal Holding Company (PHC)

C corporations with a PHC status also pay a flat 15 % on all undistributed income. PHC status is determined by a two-part income and stock ownership test:

- **Income Test** – At least 60 % of its adjusted ordinary gross income for the taxable year is passive income (e.g. interest, dividends, rents, and royalties).
- **Stock Ownership Test** – More than 50 % of the stock value is owned by five or fewer individuals.¹⁴

S Corporation

A S corporation is a special type of corporation that is fashioned to avoid the C corporation double taxation (i.e. C corporation taxes on profits as well as on dividends distributed to shareholders). The S corporation is permitted to have a portion of its profits and losses go through personal accounts and therefore is not corporately taxed but taxed at the personal income level. Some states have specific taxation abilities and specified limits to the number of shareholders in order to recognize a corporation as an S corporation. There is a specified limit on how much a state can tax profits of the S corporation yet some S corporations can be taxed above this limit. S corporations can only have up to 100 shareholders and all shareholders must be US citizens.

Close Corporation

This corporation is similar to B corporations yet with less traditional structures. This usually applies to smaller companies. State rules vary, but shares are usually barred from public trading. Close corporations can be run by a small group of shareholders without a board of directors.¹⁵

Limited Liability Corporation (LCC)

A LLC is a hybrid type of legal business structure in that it combines the tax benefits of a partnership while providing for legal protections of a corporation. In that sense, it is one of the most common business structures for small companies.¹⁶

Sole Proprietorship

A sole proprietorship is owned by one person, which gives this particular person complete control of the business. This implies the company is not a separate business entity and therefore all corporate assets and liabilities are not separate from personal assets and liabilities. Raising funds by stock is not allowed while obtaining a loan from a bank is more difficult. This type of company structure is suitable for low-risk businesses and for owners who want to put their idea on trial before creating a more formal business.¹⁷

Partnership

This legal business structure is commonly known as the business with two or more owners. Partnerships can be a favorable option for businesses with multiple owners, professional groups (like attorneys), and groups who want to test their business idea before forming a more formal business.

¹⁴ Investopedia (2018), "Starting Your Own U.S. Business As A Foreigner," available at <https://www.investopedia.com/articles/personal-finance/032615/starting-your-own-us-business-foreigner.asp>

¹⁵ Ibid

¹⁶ Ibid

¹⁷ Small Business Administration (2018) "Choose a business structure," available at <https://www.sba.gov/business-guide/launch/choose-business-structure-types-chart#section-header1->

Limited Partnership

Only one of the partners has unlimited liability while all the rest of the partners hold limited liability. Limited liability also comes with limited control over the company. This is all stated in the partnership agreement. Profits are passed through to personal tax returns while partners without limited liability must also pay self-employment taxes.¹⁸

2.1.2 Register with the Government

Most companies do not register with the federal Government but only with state agencies. Businesses need to register with a state agency when their business has a physical presence in that state, for example if the company often has in-person meetings with clients in the state, generates a significant portion of the company's revenue from the state, or when the company employs people in the state.¹⁹

Registering a company with state agencies starts with selecting the appropriate state as costs for company registration vary from state to state.²⁰ This state should ideally reflect the core market or area of the company's business. In case no particular state or location dominates the company's business, a low-cost jurisdiction such as Delaware or Nevada could be selected. Information most frequently required to be shared with state agencies includes the business name, business location, ownership, management structure, or directors, registered agent information, and number and value of shares together with the "articles of incorporation" document (in case of a corporation legal business structure).

The forms and other requirements for incorporating a business entity vary somewhat by state just as the method for registration (e.g. online, in-person, or by mail). Most legal business structures are required to file their paperwork through a state-based registered agent. Finally, most states require business registration with the Secretary of State's office, a Business Bureau, or a Business Agency. The costs for registering a business typically do not exceed \$300 but vary per state and legal business structure.²¹

2.1.3 Obtain an Employer Identification Number

Once the company is registered, the next step is to obtain an Employer Identification Number (EIN) from the IRS, which functions as the federal tax ID. This EIN is necessary for a number of practical matters, ranging from hiring workers, opening a bank account, and paying taxes or getting a business license. Many financial institutions will not open a commercial banking account under an assumed "Doing Business As" (DBA) name without the EIN. Sole proprietorships without employees are not required to have an EIN and may use the owner's social security number for tax purposes, but a sole proprietor without employees may apply for and receive an EIN as an alternative to using a social security number, which could increase the chances of identity theft.²²

¹⁸ Ibid

¹⁹ Small Business Administration (2018) "Register your business," available at <https://www.sba.gov/business-guide/launch/register-your-business-federal-state-agency>

²⁰ S corporations need to complete form 2553 with the IRS.

²¹ Small Business Administration (2018) "Register your business," available at <https://www.sba.gov/business-guide/launch/register-your-business-federal-state-agency>

²² Internal Revenue Services (2018), "Apply for an Employer Identification Number (EIN) Online," available at <https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>

A business needs an EIN if you are engaged in one of the following activities:

- Pay employees.
- Operate as a corporation or partnership.
- File tax returns for employment, excise, or alcohol, tobacco, and firearms.
- Withhold taxes on income, other than wages, paid to a non-resident alien.
- Use a Keogh Plan (a tax-deferred pension plan).
- Work with certain types of organizations.²³

You can find out if you need an EIN and how to apply online.

You may also need a state tax ID but these requirements differ at the state and local levels and therefore requires additional research.

2.2 Per State

Even though a specific process to register as a certain business structure exists, differing states have varying processes to register as a certain business structure. No matter the state, financing the business depends on the structure of the business. This can determine whether there will be third party funding coming from stockholders. If not, funding will come from within the business. Variations of the process will be examined for the states of California, Illinois, Michigan, and New York.

2.2.1 California

Step 1

Create a Business Plan for your company. A Business Plan is a written document with the logistics of how a company will achieve its goals. Sections of this document include marketing, financial and operational perspectives. Online guides for making a Business Plan are available.²⁴

Step 2

This step may not apply to every company if there is not a desire to create a physical site in this state. If there is a need to create a physical site, contact the California Business Investment Services Unit of the Governor's Office of Economic Development. This unit provides site selection services for businesses.²⁵

Step 3

Choose the appropriate business structure:

- **Corporation** – The structure of a corporation in California is the same as the federal corporation definition. In order to form a corporation, Articles of Incorporation must be filed with the California Secretary of State's office.²⁶

²³ Small Business Administration (2018) "Register your business," available at <https://www.sba.gov/business-guide/launch/register-your-business-federal-state-agency>

²⁴ California Secretary of State (2016), "Starting a Business," available at <http://www.sos.ca.gov/business-programs/business-entities/starting-business/>

²⁵ Ibid

²⁶ Ibid

- **LLC** – In addition to filing the applicable documents (Form LLC-1) with the Secretary of State, an operating agreement among the members as to the affairs of the LLC and the conduct of its business is required. The LLC does not file the operating agreement with the Secretary of State but maintains it at the office where the LLC's records are kept.²⁷
- **Limited Partnership** – To register, the Form LP-1 must be filed with the California Secretary of State's office.²⁸
- **General Partnership** – This is a partnership in which all owners are liable and hold equal responsibility in the company. Profits and personal income are taxed. File the GP-1 form with the California Secretary of the State's office to register at the state level. However, registration at the state level is optional.²⁹
- **Limited Liability Partnership** – To register as an LLP the Form LLP-1 must be filed with the State of California's Secretary of State's office.³⁰
- **Sole Proprietorship** – If a sole proprietorship is formed with a name other than the individual's name (example: John Smiths Fishing Shop), a Fictitious Business Name Statement must be filed with the county where the principal place of business is located. No formation documents are filed with the California Secretary of State's office. Other state filings may be required depending on the type of business.³¹

Step 4

File the Tax and Employer Identification Documents. Tax obligations and other required tax responsibilities come with creating your own business. A number of agencies aid in establishing the habits and payment methods for a company.³²

Step 5

There are specific permits and/or licenses needed for the company to operate. The Department of Consumer Affairs will be able to assist in acquiring these documents.

2.2.2 Illinois

Step 1

Create a Feasibility Checklist. A Feasibility Checklist is a document used to evaluate the potential success of a new business.³³

Step 2

Create a Business Plan. Business Plans are synonymous, in what they require, across all states in the US.³⁴

²⁷ California Governor's Office of Business and Economic Development (2018), "CalGold," available at <http://www.calgold.ca.gov/>

²⁸ Ibid

²⁹ Ibid

³⁰ Ibid

³¹ Ibid

³² California Governor's Office of Business and Economic Development (2018), "CalGold," available at <http://www.calgold.ca.gov/>

³³ Illinois Department of Commerce & Economic Opportunity (2017), "Step by Step Guide," available at <https://www.illinois.gov/dceo/SmallBizAssistance/BeginHere/Pages/StepByStepGuide.aspx>

³⁴ Ibid

Step 3

Decide on a Business Structure and then file all appropriate forms. When doing this, possible consultation with an attorney or accountant on which structure is best for your business may be beneficial. Rates for this labor vary based on length of consultation and their personal hourly rate.³⁵

- **Sole Proprietorship and General Partnership** – When a business name is different from the owner(s) full legal name(s), the Illinois Assumed Name Act requires sole proprietorships and general partnerships to register with their local county clerk’s office for registration under the Assumed Name Act. Sole proprietors must have a federal EIN if they pay wages to one or more employees, or file any pension or excise tax returns including those of alcohol, tobacco or firearms.³⁶
- **Limited Partnership** – To register, file Form LP-1 with the Illinois Secretary of State’s office.³⁷
- **LLC** – The LLC is well-suited for every type of business venture, except banking and insurance which are prohibited by Statute. Examples of acceptable businesses are: farming, agricultural services, mining, construction, manufacturing, transportation, wholesale and retail trade, investment companies, insurance agents, real estate brokers, all types of real estate ventures, hotels, personal and business services, automotive sales and services, amusement and recreation, health services, accounting, architecture and other professions, just to name a few. To register, file Form LLC-1 with the Illinois Secretary of State’s office.³⁸
- **Limited Liability Partnership** – If organized as a Limited Liability Partnership under a specific section of the General Partnership Act, partners are not liable for the debts, obligations and liabilities of, or chargeable to the partnership arising from negligence, wrongful acts, omissions, misconduct or malpractice committed while the partnership is a Limited Liability Partnership. To register, file Form LLP-1 with the Illinois Secretary of State’s office.³⁹
- **C Corporation** – To register, file Form BCA 2.102A with the Illinois Secretary of State’s office.⁴⁰
- **S Corporation** – To register, file Form BCA 2.10 with the Illinois Secretary of State’s office.⁴¹

Step 4

The company must next file for tax registration. Some municipalities and counties impose their own taxes in addition to the state and federal taxes that most businesses are responsible for. New businesses should contact their local revenue department to determine if additional taxes apply to their business activities. Many communities restrict advertising, regulate pricing or require zoning permits. Contact your city or county clerk for information on local restrictions.⁴²

³⁵ Ibid

³⁶ Ibid

³⁷ Ibid

³⁸ Illinois Department of Commerce & Economic Opportunity (2017), “Step by Step Guide,” available at <https://www.illinois.gov/dceo/SmallBizAssistance/BeginHere/Pages/StepByStepGuide.aspx>

³⁹ Ibid

⁴⁰ Ibid

⁴¹ Ibid

⁴² Ibid

Step 5

Businesses must also be registered with the Illinois Department of Revenue (IDOR). If you plan to hire employees, buy or sell products wholesale or retail, or manufacture goods, you must register with the IDOR.⁴³

Step 6

If there are any other permits or licenses required in order to run the business, you can find the paperwork with the Illinois Department of Financial and Professional Regulation (IDFPR), the main licensing agency in the state.⁴⁴

2.2.3 Michigan

Step 1

If needed, complete a feasibility evaluation. This can include consumer market analysis, cost benefit analysis, start-up cost analysis, or financing opportunities.⁴⁵

Step 2

Create a Business Plan. Business Plans are synonymous, in what they require, across all states in the US.⁴⁶

Step 3

Decide on a business structure and register the company for the appropriate business structure.

- **Corporation** – The Michigan Department of Licensing and Regulatory Affairs (LARA) has all of the needed files as well as information for foreign companies on various topics.⁴⁷
- **LLC** – File Articles of Organization (form CSCL/CD-700) with the LARA along with the appropriate filing fee. Like a corporation, an LLC will be responsible for paying an annual fee with LARA to continue its existence.⁴⁸
- **Limited Liability Partnership** – The LARA has both a domestic and foreign registration form that can be filed.⁴⁹
- **Limited Liability Partnership** – File with LARA.⁵⁰

Step 4

The state of Michigan does not have a generic business license while legal entity registration is not a license. Licenses are required for certain vocations or occupations that may be conducted within a business. This could be environmental requirements or zoning ordinances. Environmental considerations are anything that has to do with activities that have the potential to impact the environment (e.g. land clearing and construction) or operating processes that

⁴³ Ibid

⁴⁴ Ibid

⁴⁵ Michigan Small Business Development Center (2014), "Guide to Starting and Operating a Small Business," available at http://www.michigan.gov/documents/business/Guide_to_Starting_a_Small_Business_7_271487.pdf

⁴⁶ Michigan Small Business Development Center (2014), "Guide to Starting and Operating a Small Business," available at http://www.michigan.gov/documents/business/Guide_to_Starting_a_Small_Business_7_271487.pdf

⁴⁷ Ibid

⁴⁸ Ibid

⁴⁹ Ibid

⁵⁰ Ibid

generate air emissions and waste (e.g. coating lines, boilers, and cleaning metal parts with solvent) may need permits, licenses, or other authorizations from the Michigan Department of Environmental Quality (MDEQ). Zoning codes consist of Barrier Free Designs and Trade and ServiceMarks.⁵¹

Step 5

State tax registration is required. Different registration is dependent on the type of business structure the company files for. The Michigan Treasury Online (MTO) provides registered businesses the ability to access, view and make changes to account specific information that Treasury has captured from their application.⁵²

2.2.4 New York

Step 1

Create a Business Plan. Business Plans are synonymous, in what they require, across all states in the US.⁵³

Step 2

Choose the appropriate business structure.

- **C Corporation** – File as a New York corporation.⁵⁴
- **S Corporation** – File as a New York corporation.⁵⁵
- **Limited Liability Company** – To register, use the state of New York’s Economic Development site.⁵⁶
- **Sole Proprietorship** – To register, use the state of New York’s Department of Economic Development site.⁵⁷
- **Partnership** – There needs to be a partnership agreement present when applying to become an official Partnership.⁵⁸

Step 3

Register as a Sales Tax Vendor with the state of New York Department of Taxation and Finance in order to sell products and services. This is one of the steps within the taxation registration process.⁵⁹

Step 4

Register for corporate and personal taxation. These registrations vary depending on the type of business structure you chose.⁶⁰

51 Ibid

52 Ibid

53 NYC Business (2018), “What’s required to do business in New York City?,” available at <https://www1.nyc.gov/nycbusiness/startabusiness>

54 Ibid

55 Ibid

56 Ibid

57 Ibid

58 Ibid

59 Ibid

60 Ibid

Step 5

If a physical location is desired, there are a few paths to follow. There is the option of leasing a present building while there is also the option of building a new facility. There are zoning requirements to abide by.⁶¹

Step 6

If there are any patents, copyrights, or trademarks required for the business or product, they must be filed for. In addition, there may be other permits or licenses required for the business.⁶²

Checklist

- Do you need to form a US company at all?
- Do you need to separate personal liability from the company's liability?
- Have you carefully compared the advantages and disadvantages of the legal business structures?
- Are you aware of any consequences of your preferred legal business structure in Jordan?
- Have you decided in which state you will register your business?
- Have you identified a registered agent?
- Are you aware of any state-specific requirements for company registration?
- Have you obtained your federal tax ID?
- Have you obtained your state tax ID?

⁶¹ Ibid

⁶² Ibid

Useful Sources

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03

**RUNNING A
BUSINESS**

3 Running a Business

Once the business has been registered, most businesses need a combination of licenses and permits from agencies on both federal and state level in order to start conducting business in the US. The requirements and fees differ based on the business activities, location, and Government rules and regulation. This Section provides an overview of the most important licenses and permits required to conduct business at both federal and state level as well as some practical matters related to opening a bank account, getting business insurance, filing trademarks and patents, and hiring foreign workers.

3.1 Federal

A number of business activities is regulated by one or multiple federal agencies. It is mandatory to obtain a federal license or permit with the appropriate federal agency in order to undertake any of these business activities. The table below provides an overview of the most important business activities for which a federal license or permit is required. Fees depend on the exact business activity and issuing agency.

Table 3.1 Business activities and the respective issuing agencies

Business Activity	Description	Issuing Agency
Agriculture	Import or transport of animals, animal products, biologics, biotechnology, or plants across state line.	US Department of Agriculture
Alcoholic Beverages	Manufacturing, wholesale, import, or selling of alcoholic beverages at a retail location.	Alcohol and Tobacco Tax and Trade Bureau
Aviation	Businesses involved in operating aircraft, transporting goods or people via air, or aircraft maintenance.	Federal Aviation Administration
Firearms, Ammunition, and Explosives	manufactures, deals, or imports firearms, ammunitions, and explosives	Bureau of Alcohol, Tobacco, Firearms and Explosives
Fish and Wildlife	Businesses engaged in any wildlife related activity, including the import or export of wildlife and derivative products.	US Fish and Wildlife Service
Commercial Fisheries	Commercial fishing of any kind.	National Oceanic and Atmospheric Administration Fisheries Service
Maritime Transportation	Ocean transportation or facilitate the shipment of cargo by sea.	Federal Maritime Commission
Mining and Drilling	Business involved in drilling for natural gas, oil, or other mineral resources on federal lands.	Bureau of Safety and Environmental Enforcement

Nuclear Energy	Businesses producing commercial nuclear energy, operating a fuel cycle facility, or involved in distribution and disposal of nuclear materials.	US Nuclear Regulatory Commission
Radio and Television Broadcasting	Broadcasting information by radio, television, wire, satellite, or cable.	Federal Communications Commission
Transportation and Logistics	Businesses operating an oversize or overweight vehicle. Permits for oversize and overweight vehicles are issued by state governments, but the US Department of Transportation can direct you to the correct state office.	US Department of Transportation

Source: *Small Business Administration (2018)*

The required licenses and permits on state, county, and city level also depend on the exact business activity. In general, states regulate a broader range of business activities than the federal Government (e.g. auctions, construction, and dry cleaning, farming, plumbing, restaurants, retail, and vending machines).⁶³

Tip 3.1

Most foreign investors select a C corporation as legal business structure as it protects them from direct IRS scrutiny while offering unlimited stock. In addition, (foreign) corporate shareholders typically qualify for a lower dividend rate. As mentioned, the “cost” for these advantages is that C corporations are taxed twice (i.e. corporate profits and dividends). In many cases, however, tax planners can use salaries, pension costs, and other expenses to reduce the taxable corporate income.⁶⁴

Bank Account

A business can open a bank account as soon as the business has received its EIN and its business license. Documentation required to open a bank account therefore includes the business license, EIN, business formation documents, and ownership agreements. Please note some banks require more documents. Most US banks provide the option to open a bank account online while a bank account can also be opened at a local branch.⁶⁵

Looking for the right bank requires balancing costs and fees on the one hand and benefits on the other hand. Typically, business bank accounts provide certain benefits that are not available for personal bank accounts. Such benefits include limited personal liability protection as business funds are separated from private funds, available credit and funds that come along with the business bank account, and a credit history can be built up. Costs and fees vary from bank to bank and depend on the type of account such as more regular business checking or

⁶³ Small Business Administration (2018), “Apply for licenses and permits,” available at <https://www.sba.gov/business-guide/launch/apply-for-licenses-permits-federal-state>

⁶⁴ Ibid

⁶⁵ Small Business Administration (2018), “Open a business bank account,” available at <https://www.sba.gov/business-guide/launch/open-business-bank-account-fees-benefits>

savings accounts (e.g. interest rates, transaction fees, early termination fees, and minimum account balance fees) or merchant services account (e.g. discount rate, transaction fees, address Verification Service fees, and monthly minimum fees).

Insurance

Business insurance compliment protection provided by legal business structures to ensure both personal assets and business assets are fully protected from unexpected events. Business with employees are required by the federal Government to have workers' compensation, unemployment, and disability insurance. Additional insurance typically comes in several formats:⁶⁶

- General liability insurance – Covers against financial loss due to bodily injury, property damage, medical expenses, libel, slander, defending lawsuits, and settlement bonds or judgments.
- Product liability insurance – Covers against financial loss due to a defective product causing injury or bodily harm.
- Professional liability insurance – Covers against financial loss due to malpractice, errors, and negligence.
- Commercial property insurance – Covers against loss and damage of company property as a result of a wide variety of events (e.g. fire, smoke, wind and hail storms, civil disobedience and vandalism).
- Home-based business insurance – Covers against liability for third-party injuries and for a small amount of business equipment.
- Business owner's policy – Typically bundles a number of previous coverage options.

The best approach is to first assess risks the business may be exposed to (e.g. accidents, lawsuits, and disasters), after which a reputable commercial insurance agent should be found to align your risk with the most appropriate insurances. This includes comparing rates, terms, and benefits for insurance offers provided by multiple insurance agents. Risks should be re-assessed on a periodical basis as the business – and hence liabilities – grow over time, requiring different types of insurances.

Patents & Trademarks

To trademark your business, product name or brand, it is mandatory to file with the US Patent and Trademark office after the business has been formed. Filing fees generally range from \$225 to \$400 per class of good or services.

Hiring Employees & Foreign Workers

Before hiring the right person for a job, it is recommended to create a plan for paying employees and set up a payroll. It is important to firstly decide whether the business will hire independent contractors or employees as this considerably impacts taxation and legal liability. The next step is to be certain of employee benefits the business is legally required to pay. Optional benefits may be offered in order to attract new employees or retain existing

⁶⁶ Small Business Administration (2018), "Get business insurance," available at <https://www.sba.gov/business-guide/launch/get-business-insurance-assets-liability>

employees (e.g. group health plans and retirement plans). Legally mandatory benefits are summarized in the table below.⁶⁷

Table 3.2 Mandatory employers benefits

Benefit	Description	Applicable
Social Security taxes	Taxes levied on employees to fund programs related to social security (e.g. retirement, disability, and survivorship benefits). Taxes are collected as payroll tax or self-employment tax.	All states
Workers' Compensation	Federal insurance for disability compensation programs for workers that are injured at work or acquire an occupational disease.	All states
Disability Insurance	Wage-replacement insurance plan. Workers covered by the disability insurance are shielded in various disability scenarios.	California, Hawaii, New Jersey, New York, Rhode Island and Puerto Rico
Leave benefits	Agreement between employer and employee that allows employees to take time off from work for various reasons.	All states
Unemployment insurance	Compulsory governmental insurance system to pay benefits to unemployed people.	All states (but varies per state)

Source: Small Business Association (2018)

The US imposes strict regulations with regards to hiring foreign workers. The US Department of Labor regulates all aspects of labor. The US Citizenship and Immigration Services (USCIS) is available to assist employers with employment statutes and regulations, employee rights, immigration subjects and other related matters through their I-9 Central Portal.

Finally, it is critical for business to comply with federal and state labor laws and industry-specific regulations. This relates to firing employees but also to hiring certain types of employees (e.g. veterans, foreign workers, household employees, child labor and people with disabilities).

3.2 Per State

The regulations that concern running a business can differ per state. Most states have developed a comprehensive guide or step-by-step approach for running a business.

⁶⁷ Small Business Association (2018), "Hire and manage employees," available at <https://www.sba.gov/business-guide/manage/hire-manage-employees-benefits-contractors>

3.2.1 California

Generally, all businesses that wish to conduct business in California need to register and form their legal entity with the California Secretary of State's Office (SOS), register as an employer, file appropriate taxes, and obtain business licenses and other permits from the relevant cities or counties.⁶⁸

Tip 3.2

The state of California has developed a tool called CalGold that assists business with obtaining permits. The tool requires the location of your business (city/county) and business type (e.g. dentist or marketing consultant) and lists all required permits for the business and provides contact information of the agencies that administer and issue these permits.

State Level Requirements & Agencies

- California Secretary of State (SOS) for general filing.
- Franchise Tax Board for filing state income tax.
- Board of Equalization (BOE) for obtaining a Seller's Permit. Businesses that sell tangible property need a Seller's Permit.
- For employers:
 - ◇ California Department of Industrial Relations for laws regarding wages, hours, and working conditions.
 - ◇ California Employment Development Department (EDD) should register the business when it hires an employee.
 - ◇ California Department of Industrial Relations for more information on the Workers' Compensation Insurance coverage, which is mandatory for companies with employees.

Table 3.3 Example: Computer programming services firm in the city of Santa Monica, Los Angeles County

Permits, Licenses and others	Description	Agency
Business License - Business Tax Certificate	Required for all entities doing business within city limits.	City of Santa Monica
Zoning Approval	Permitted uses, development regulations, design review, sign permit, parking regulations.	City of Santa Monica, Planning Department

⁶⁸ California Business Portal (2018), "Registering A Business," available at [http://businessportal.ca.gov/Registration-Permits/ Registering-A-Business](http://businessportal.ca.gov/Registration-Permits/Registering-A-Business)

Doing Business As Statement (DBA)	A Fictitious Business Name (FBN) or Doing Business As (DBA) statement is required when the business name does not include the surname of the individual owner(s) and each of the partners; or the business name suggests the existence of additional owners; or the nature of the business is not clearly evident by the name of the business. For example Bill Smith and Sons Plumbing would require a FBN because the name implies additional owners, Bill Smith Plumbing does not require a FBN. Bill Smith Industries would require a FBN because it does not identify the nature of the business.	County of Los Angeles, Business Name Filing and Registration
Corporation, Company or Partnership Filings	If you are considering becoming a corporation, (either stock or nonprofit), a limited liability company or a partnership (limited, or limited liability), you must file with the Secretary of State's Office. Also, if you are conducting business as one of the following, you must file a bond with the Secretary of State's Office: immigration consultant, credit services organization, dance studio, discount buying organization, employment agency, employment counseling service, invention developer, job listing service, nurses registry, or auctioneer or auction company.	Secretary of State
Discrimination Law	Employers must post the Harassment or Discrimination in Employment notice (DFEH 162) and provide their employees with a copy of the DFEH's information sheet on sexual harassment (DEFH 185) or a statement that contains equivalent information. Employers must also provide notice for an employee's right to request pregnancy disability leave or transfer, as well as notice to request a family and medical care leave (CFRA). Employers with 5 or more employees must maintain all personnel records for a minimum of 2 years.	Department of Fair Employment and Housing
Occupational Safety and Health Information	Businesses with employees must prepare an Injury and Illness Prevention Plan. The state provides a no-fee consultation service to assist employers with preventing unsafe working conditions and workplace hazards.	Cal/OSHA Consultation Services

Registration Form for Employers	Required to file a registration form within 15 days after paying more than \$100.00 in wages to one or more employees. No distinction is made between full-time and part-time or permanent and temporary employees in meeting this requirement.	Employment Development Department
Sales & Use Permit (Seller's Permit)	All businesses selling or leasing tangible property must obtain a Seller's Permit.	Department of Tax and Fee Administration
State Income Tax Information	Businesses should obtain the appropriate State income tax forms from the Franchise Tax Board.	Franchise Tax Board
Wage/Hour Laws	Businesses with employees must comply with laws establishing minimum standards for wages, hours and working conditions.	Department of Industrial Relations
Workers' Compensation Information	Businesses with employees must maintain Workers' Compensation Insurance coverage on either a self-insured basis, or provided through a commercial carrier, or the State Workers' Compensation Insurance Fund.	Department of Industrial Relations
Employer Identification Number (EIN or SSN)	Employers with employees, business partnerships, and corporations, must obtain an Employer Identification Number from the I.R.S. Businesses can obtain appropriate Federal income tax forms from this location. EIN Application Form (SS-4) can be obtained from local IRS or Social Security Offices.	IRS
Proof of Residency Requirement	Employees hired after November 6, 1986 must provide proof of eligibility to work in the United States. The INS will provide employers the requirements for establishing proof of residency of employees	U.S. Immigration and Naturalization Service

Source: CalGold (2018)

3.2.2 Illinois

The Illinois Department of Financial and Professional Regulation (IDFPR) is the main licensing agency. Licenses and regulation can be separated for various industries and activities:

- Occupations and career areas.
- Any business activity involved in food.

State Level Requirements & Agencies

To conduct business as a legal business entity in Illinois, regardless if you are based in Illinois or not, you will have to at least:

- Register with the Secretary of State.
- Obtain an Illinois Department of Revenue (IDOR) Account ID Number.

The First Stop Business Information Center, which is an entity within the Department of Commerce & Economic Opportunity, offers entrepreneurs and small business-owners the following services, including a toll-free helpline, a business start-up kit, and business specialists.

The IDOR offers assistance to entrepreneurs and business-owners with completing any form. Some of the most common forms are ⁶⁹:

- **REG-1:** Illinois Business Registration
- **IL-W-4:** Withholding Allowance Certificate
- **CBS-1:** Notice of Sales or Purchase of Business Assets
- **IL-700:** Withholding Tax Guide
- **IL-501 & IL-941:** Withholding Tax

The Small Business Environmental Assistance Program (SBEAP) offers free and confidential information and services to help small business-owners understand their environmental obligations.

All forms and fees for setting up required per specific business activity in Illinois can be found on the Illinois Government website.

Tip 3.3

To help people with starting up, and running their business, the Illinois Department of Commerce & Economic Opportunity created a comprehensive handbook on starting, and running a business in Illinois.

3.2.3 Michigan

Not every business activity in Michigan requires a license from the state. Licenses are required for certain business activities that could be conducted.

State Level Requirements & Agencies

To help people with starting up, and running their business, the Small Business Development Center (SBDC) of Michigan offers in-person and online training, business plan consultation, and market research at no cost.⁷⁰

Special requirements relate to food establishments, which is supervised by the Michigan Department of Agriculture and Rural Development. Food establishments receive special attention in Michigan and are Governed by the Michigan Food Law and the Michigan Modified

⁶⁹ Illinois Department of Commerce and Economic Opportunity (2018), "Starting your business in Illinois handbook," available at <https://www.illinois.gov/dceo/SmallBizAssistance/BeginHere/Pages/BusinessInformationCenter.aspx>
⁷⁰ MI-SBDC (2018), "Start a Business," available at <http://sbdcmichigan.org/start-a-business/>

FDA Food Code. Food service establishments are licensed via local health departments which can set their own fees.⁷¹

Finally, businesses that are involved in activities that have potential impact on the environment or with operating processes that generate air emissions and waste may need licenses, permits, or other authorizations from the Michigan Department of Environmental Quality (MDEQ).

Tip 3.4

The SBDC of Michigan also provides an extensive Guide to Starting a Small Business. This guide features all sorts of tips and guidelines for starting up and running a business in Michigan. All relevant state agencies and organizations are listed in the guide.

Table 3.4 Example: General firm in the city of Detroit, Wayne County

Permits, Licenses and others	Description	Agency
Assumed Name Certificate	If one conducts business in Detroit under a name other than this person's real name, the person must file an application for an Assumed Name Certificate with Wayne County.	Wayne County's Clerk
Incorporation	Should you incorporate your business or establish a limited partnership, you must register with the State of Michigan.	Department of Labor and Economic Growth
Sales Tax Number and Federal Tax ID/EIN	If your business operates in Detroit, you must have a sales tax number. Corporations and partnerships require a federal tax ID number.	<ul style="list-style-type: none"> • Sales Tax Number: Michigan Department of Treasury, Collections Division. • Federal Tax ID Number: IRS
State Unemployment Insurance	Any business that employs one or more persons is required to register with the Unemployment Insurance Agency.	Unemployment Insurance Agency
Detroit Business License	You must have a Detroit business license to operate certain types of businesses in the city.	City of Detroit - Business License Center
Certificate of License	A certificate of license will be issued when all approvals are secured.	

Source: City of Detroit (2018)

71 MI-SBDC (2018), "Guide to Starting a Business," available at <https://view.joomag.com/guide-to-starting-and-operating-a-small-business-2017-guide-to-starting-a-business/0162838001495228263?short>

3.2.4 New York

Running a business in the state of New York requires interaction with both state and local Government agencies. Most counties, cities, towns, and villages require local permits and licenses for someone to conduct business.

State Level Requirements & Agencies

- Tax Department for businesses in New York that will collect sales tax on the products or services they sell, need a "Certificate of Authority to Collect Sales Tax" to collect sales and use taxes. Also, many businesses must have Unemployment and Workers' Compensation Insurance and some need Disability Insurance and Health Insurance. ⁷²
- Department of Agriculture and Markets for food establishments. In New York State, any establishment that produces, processes and/or sells foods is required to have the Food Processing Establishment License. This license is issued by the Department of Agriculture and Markets.
- NYS Small Business Development Center offers free help with starting a business.
- Entrepreneurial Assistance Program Centers provide instruction, training, and technical assistance to people interested in starting a business or that have recently started a business throughout the state.

Tip 3.4

To help entrepreneurs and small-business owners with starting up and running a business, the state of New York has developed an online tool: the NYS Business Wizard. This tool identifies the licenses and permits certain businesses require and supports firms to apply for them.

Table 3.5 Example: Computer service firm in New York State

Permits, Licenses and others	Description	Agency
Employer Identification Number (EIN)	Employers with employees, business partnerships, and corporations, must obtain an Employer Identification Number.	IRS
NYS Workers' Compensation Insurance	The EIN Application Form (SS-4) can be obtained from local IRS or Social Security Offices.	Not Available
NYS Disability and Paid Family Leave Benefits Insurance	The NYS Workers' Compensation Law requires employers to obtain and keep in effect workers' compensation coverage for all employees (paid or unpaid). NYS Workers' Compensation Law also requires that a business produce proof of workers' compensation coverage to a state or municipal agency when it seeks to obtain a permit to do business.	Not Available

⁷² New York Business Express (2018), "How to Start a Business in New York," available at https://www.businessexpress.ny.gov/app/portal/content/start_a_business/session/L3RpbWUvMTUxNzQwMDY0MC9zaWQvZlU1OU1XdW4zbnA3SFZuN0R3eD J0bWZjZGJTaTZSaHRZMGVXVW1tbn82Z1pYZ3BJNGFtSVp3akhTQjJ4TEhPRG1WdDJHMEhcTRzcjhFdEp4QU85Vnl3RkFIRUZCa kftFTGV6Wm9JaExZVEIkTIB1cFA0Z2RrWGDRTIXJTIX

Employer Registration for Unemployment Insurance, Withholding, and Wage Reporting	<p>New York requires employers to provide disability and paid family leave benefits coverage to employees for an off-the-job injury or illness and paid family leave. NYS Workers' Compensation Law also requires that a business produce proof of disability and paid family leave benefits coverage to a state or municipal agency when it seeks to obtain a permit to do business. Employers can obtain disability and paid family leave benefits coverage through a private insurance carrier or the NYS Insurance Fund; being self-insured; or being legally exempt from having to obtain disability and paid family leave benefits coverage.</p>	Department of Labor
for Business Employer (NYS 100)	<p>Unemployment Insurance benefits provide temporary income for eligible workers who become unemployed through no fault of their own and have sufficient work and wages in covered employment. The NYS Unemployment Insurance Law requires employers to pay contributions on the wages paid to their employees. It also provides for the payment of unemployment insurance benefits to eligible claimants. The NYS Department of Labor's Unemployment Insurance Division determines if a business is liable for unemployment insurance as well as whether an unemployed worker qualifies for unemployment. General Business employers are those who employ persons in any type of business except household (domestic), non-profit organizations, governmental entities, Indian tribes or agricultural. General business employers are liable on the first day of the calendar quarter they pay remuneration of \$300 or more or the day they obtain any or all of the business of a liable employer. Employers must complete an employer registration form for us to decide if you are liable under the New York State Unemployment Insurance law. After registration, each liable employer is assigned an eight-digit employer registration number. This registration number should be used on all correspondence, quarterly returns and payments sent to the NYS Department of Labor. The average processing time is 10 days.</p>	

*NB This case concerns a Computer Service firm operating in New York State, with employees.
Source: New York Business Express Wizard (2018)*

Table 3.6 Example: Food processor or manufacturer in New York State

Permits, Licenses and others	Description	Agency
Employer Identification Number (EIN)	Employers with employees, business partnerships, and corporations, must obtain an Employer Identification Number from the I.R.S. Businesses can obtain appropriate Federal income tax forms from this location. EIN Application Form (SS-4) can be obtained from local IRS or Social Security Offices.	U.S. Department of Treasury/IRS
Sales Tax Certificate of Authority	This registration authorizes the collection of sales and use tax on certain property and rentals. The average processing time is 5 days.	Department of Taxation/ Finance
NYS Workers' Compensation Insurance	The NYS Workers' Compensation Law requires employers to obtain and keep in effect workers' compensation coverage for all employees, including day laborers, leased employees, borrowed employees, part-time employees and family members (paid or unpaid). NYS Workers' Compensation Law also requires that a business produce proof of workers' compensation coverage to a state or municipal agency when it seeks to obtain a permit to do business.	Not Available
NYS Disability and Paid Family Leave Benefits Insurance	New York requires employers to provide disability and paid family leave benefits coverage to employees for an off-the-job injury or illness and paid family leave. NYS Workers' Compensation Law also requires that a business produce proof of disability and paid family leave benefits coverage to a state or municipal agency when it seeks to obtain a permit to do business. Employers can obtain disability and paid family leave benefits coverage through a private insurance carrier or the NYS Insurance Fund; being self-insured; or being legally exempt from having to obtain disability and paid family leave benefits coverage.	Not Available

<p>Employer Registration for Unemployment Insurance, Withholding, and Wage Reporting for Business Employer (NYS 100)</p>	<p>Unemployment Insurance benefits provide temporary income for eligible workers who become unemployed through no fault of their own and have sufficient work and wages in covered employment. The NYS Unemployment Insurance Law requires employers to pay contributions on the wages paid to their employees. It also provides for the payment of unemployment insurance benefits to eligible claimants. The NYS Department of Labor's Unemployment Insurance Division determines if a business is liable for unemployment insurance as well as whether an unemployed worker qualifies for unemployment. General Business employers are those who employ persons in any type of business except household (domestic), non-profit organizations, governmental entities, Indian tribes or agricultural. General business employers are liable on the first day of the calendar quarter they pay remuneration of \$300 or more or the day they obtain any or all of the business of a liable employer. Employers must complete an employer registration form for us to decide if you are liable under the New York State Unemployment Insurance law.</p> <p>After registration, each liable employer is assigned an eight-digit employer registration number. This registration number should be used on all correspondence, quarterly returns and payments sent to the NYS Department of Labor. The average processing time is 10 days.</p>	<p>Department of Labor</p>
<p>Food Processing Establishment License (FSI-303)</p>	<p>Any establishment that processes or prepares food in any way required this license</p> <p>Cost: \$400. Fee is for each location, expiring 2 years from the date of issuance. Farm wineries are exempt from the application fee. The license fee for food processing establishments that are classified as a chain store may be pro-rated depending on the expiration date. The average processing time is 6 days.</p>	<p>Department of Agriculture and Markets</p>

Notification or Inspection of Commercial Weighing or Measuring Device	Owners of commercial weighing or measuring devices must have the device inspected.	Department of Agriculture and Markets
Halal Foods Protection Form (H-102)	Individuals who sell or produce Halal food must get this certification. This is a one-time registration. The average processing time is 1 day.	Department of Agriculture and Markets

NB This case concerns a Halal food processor or manufacturer operating in New York State, with employees.

Source: New York Business Express Wizard (2018)

Checklist

- Are you conducting a business activity for which a license and/or permit is required at federal level?
- Are you conducting a business activity for which a license and/or permit is required at state level?
- Are you aware of the fact your license(s) and/or permit(s) may expire?
- Have you registered your patent and/or trademark?
- Do you have the right license(s) and/or permit(s) to hire foreign workers?
- Have you considered whether you want to hire an independent contractor or an employee?
- Have you scheduled pay periods to coordinate tax withholding for IRS?
- Have you considered an in-house or external service for administering payroll?
- Have you decided who will manage your payroll system?
- Do you know which records must stay on file and for how long?

Useful Sources

CalGold (2018), "Business permits and other requirements in the City of Santa Monica (Los Angeles County) for business types: Computer Programming Services," available at <http://www.calgold.ca.gov/Results.aspx?location=452&businessTypes=180&greenBusiness=False&levelOfGovernmentFilter=31>

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Small Business Association (2018), "Hire and manage employees," available at <https://www.sba.gov/business-guide/manage/hire-manage-employees-benefits-contractors>

Small Business Administration (2018), "Open a business bank account," available at <https://www.sba.gov/business-guide/launch/open-business-bank-account-fees-benefits>

04

**BUSINESS
FINANCING**

4 Business Financing

An initial influx of capital in order to satisfy the larger start-up costs is an absolute pre-requisite when starting a business. However, this funding does not always have to come from individuals. There are multiple ways to add capital to the business before reaching into a personal bank account. Key processes to do such will be further discussed throughout this Section.

4.1 Federal

Various funding options exist at the federal level. This includes loans, credits, grants, equity financing, debt financing, and tailor-made funding programs.

Government-Based Loans

A general loan is when banks or lending institutions provide money to another party in exchange for future payment of the principle amount as well as interest of a certain percentage. For a new business, however, it may be more beneficial to apply for a Government loan program. These programs are for businesses that may find it more difficult obtaining a loan through regular banks or lending institutions.

Banks and lending institutions participate in the Government guaranteed loans. The difference with regular loans is that the Government will back the loan. This implies the Government will repay the loan in case the loan defaults. This will increase the likelihood of the loan being granted.⁷³

The first step for applying for a Government-based loan concerns the creation of a loan package, which must be created with the lender (e.g. bank or lending institution) that qualifies for a Government guarantee. There are multiple agencies and sources can help find the specific loan that works best for your specific company:⁷⁴

- The Small Business Association (SBA) supports with researching specific loan categories.
- GovLoans can be used to research federal loans and how to apply.
- The Small Business Lending Fund can be explored to search for federally backed lending institutions in each state.

Asset-Based Loans

If a business has a great amount of assets, there is the ability to use assets as collateral for a loan. Generally, a company is allowed to borrow between 75%-80% of the value of the company's account receivables. Many companies use their account receivable as their asset, which is considered a current asset. On the other hand, when inventory is used as collateral, a company qualifies for a loan equal to 50% of the value of the inventory. Fixed assets, which are long-term resources such as plants equipment, and real estate, are still eligible to be used as the asset. The larger amount of assets, the greater the size of the loan. Lenders, however, typically prefer a company that has a stable balance sheet along with a strong proposition of assets. These loans are usually advisable whenever a company needs working capital in order to keep all its normal business activities running. The company, therefore, opts to use its own assets in order to get financial assistance from lenders. In this case, the company's assets are used as collateral.⁷⁵

⁷³ USA.gov (2017), "Finance Your Business," available at <https://www.usa.gov/funding-options>

⁷⁴ Ibid

⁷⁵ The Balance (2017), "Asset Based Loan Financing: How it Works and its Benefits," available at <https://www.thebalance.com/asset-based-loan-financing-how-it-works-and-its-benefits392992->

One of the benefits of this type of loan is that it can be obtained quickly as less documentation and fewer processes are involved compared to conventional loans (as long as the company meets the lending criteria). Asset-based loans increase the company's cash flow within a short-term, improving its financial stability, while this form of loans is typically less strict than more conventional types of loans. Finally, asset-based loan financing is the best option for a company that prefers to stay free of debts while maintaining the company's borrowing options.⁷⁶

Trade Credit

Credit is an extremely useful tool for companies needing an extra stimulus for financial growth. This is when suppliers allow businesses to extend credit by letting businesses purchase goods and pay the credit back later. Usually when the goods are delivered, a trade credit is provided for a specific number of days, such as 30, 60, or 90 days. Vendors or suppliers do not typically extend trade credit to businesses that have yet to establish good credit or that have not (yet) proven that they are able to make payments on time. However, trade credit is a useful option for businesses to receive supplies crucial to growth without paying immediately.⁷⁷

Grants

Grants are a way of gaining capital, but not as a catalyst for the beginning of their company's life. The federal Government does not offer grants for starting or growing a business. However, the Government provides grants for non-commercial organizations (nonprofits and educational institutions) in medicine, technology development, and related fields. Some business grants are available through state or local programs. Yet, these grants usually require businesses to match the funds or combine the grant with other forms of financing, such as a loan.⁷⁸

Equity Financing

In its most basic form, equity financing is when a company can obtain capital by selling company stock to investors. These investors, in turn, now have ownership interest in the company. For example, angel investors and venture capitalists – who are generally the first investors in a start-up – are inclined to favor convertible preferred shares rather than common equity in exchange for funding new companies, since the former have greater upside potential and some downside protection. Once the company has grown large enough to consider going public, it may consider selling common equity to institutional and retail investors. It gives the shareholder a claim on future earnings, but it does not need to be paid back.⁷⁹

Tip 4.1

The Securities and Exchange Commission (SEC) has provides several resources to support companies with obtaining funding:

- The SEC provides a guide for companies that provides a basic understanding about how companies can become public and what securities laws apply.
- The SEC also has a list of some of the registration and reporting forms and related regulations that pertain to small and large companies.

⁷⁶ Ibid

⁷⁷ Investopedia (2018), "Trade Credit," available at <https://www.investopedia.com/terms/t/trade-credit.asp>

⁷⁸ USA.gov (2017), "Finance Your Business," available at <https://www.usa.gov/funding-options>

⁷⁹ The Balance (2017), "Asset Based Loan Financing: How it Works and its Benefits," available at <https://www.thebalance.com/asset-based-loan-financing-how-it-works-and-its-benefits392992->

Debt Financing

Debt financing concerns a firm selling fixed income products such as bonds, bills, or notes to investors to obtain the capital needed to grow and expand its operations.⁸⁰ When a company issues a bond, the investors who purchase the bond are lenders who are either retail or institutional investors that provide the company with debt financing. The amount of the investment loan, referred to as the principal, must be paid back at some agreed date in the future. If the company goes bankrupt, lenders have a higher claim on any liquidated assets than shareholders.⁸¹

Federal & State Programs

- **Small Business Investment Company (SBIC) Program** - The Small Business Administration (SBA) partners with qualified private investment companies with expertise in certain industries and sectors that are licensed as Small Business Investment Company (SBIC) to provide capital to new small businesses.⁸² A SBIC, which is a privately owned company that is licensed and regulated by the SBA, invests in small businesses with its own private funds along with SBA-guaranteed funding in the form of debt and equity:

- ◇ **Debt:** SBIC loan with an interest rate between 9% and 16%, ranging from \$250,000 to \$10 million.

- ◇ **Equity:** Equity investment from \$100,000 to \$5 million in exchange for a share of ownership in the company.

- ◇ **Debt with equity:** Loans with interest rates typically between 10% and 14% complemented by equity investment ranging from \$250,000 to \$10 million.

Small and US businesses in certain industries can only qualify as SBIC. The SBA also supports small businesses interested in SBIC financing with approaching an SBIC. This may be of interest for Jordanian companies looking to set up in the US to do business.

- **States and Local Business Assistance** - This includes financing for business expansion, state credit initiatives, and more.

- **US Export-Import Bank** – The main focus of the US Export-Import bank is to support US exporters but several programs also exist for international buyers that therefore may be of relevance to Jordanian businesses engaged in importing from and exporting to the US.

- ◇ **Loan Guarantee Program** – Provides term financing to creditworthy international buyers, both private and public sector, for purchases of US goods and services.

- ◇ **Direct Loan Program** – Provides fixed-rate loans to creditworthy international buyers, both private and public sector, for purchases of US goods and services.

- ◇ **Finance Lease Guarantee Program** – Provides lease financing to creditworthy international buyers as an alternative to traditional installment loans.

⁸⁰ Investopedia (2018), "Fixed Income," available at <https://www.investopedia.com/terms/f/fixedincome.asp>

⁸¹ Ibid

⁸² USA.gov (2017), "Finance Your Business," available at <https://www.usa.gov/funding-options>

◇ **Credit Insurance** – Allows US exporters to offer competitive open account terms to foreign buyers while minimizing the risk of non-payment. When foreign accounts receivable are insured, lenders are more willing to increase the exporter's borrowing capacity and offer more attractive financing terms.⁸³

3.2 Per State

California, Illinois, Michigan, and New York provide varying opportunities to aid growing businesses with obtaining finance.

4.2.1 California

- **California Capital Access Program (CalCAP)** – CalCAP encourages banks and other financial institutions to make loans to small businesses that have difficulty obtaining finance. CalCAP insures up to 100% of the loans made by participating lenders to eligible small businesses for eligible purposes. There is no minimum loan amount, however, the maximum loan amount is \$5 million, and the maximum enrolled amount is \$2.5 million. Borrowers are limited to a maximum \$2.5 million enrolled over a three-year period. Loan proceeds may be used for start-up costs, working capital, business procurement, equipment and inventory purchases, contract financing, franchise fees, business expansion, lines of credit, as well as real estate construction, renovation or tenant improvements of an eligible place of business.⁸⁴

- **CalCAP Collateral Support Program** – This form of financing pledges cash to cover the collateral shortfall of a loan made by a participating lender in order to enable financing that otherwise might not be available to a small business. The Collateral Support Program provides up to 40% of the loan value in the form of a cash deposit with the possibility of an additional 10% for businesses located in a so-called Severely Affected Community. The minimum loan amount is \$50,000 with a maximum loan amount of \$20 million while the maximum support of California Governor's Office of Business & Economic Development is \$2.5 million per borrower. The term of the collateral support is determined by the lender and will not exceed four years for any one loan.⁸⁵

- **Small Business Loan Guarantee Program (SBLGP)** – This finance program provides loans to small businesses that experience capital access barriers and is administered by designated Financial Development Corporations (FDC) that guarantee the loan to the borrower. The maximum loan amounts vary between federal and state programs. For the federal program the maximum loan amount is \$20 million and there is no defined state amount.⁸⁶

- **Industrial Development Bonds (IDB)** – IDB is a competitive financing option available for the acquisition of manufacturing facilities and equipment, which provides a financing option for manufacturers to access private capital markets at tax-exempt rates. The interest rates for IDB financing are generally 20-30% lower than conventional

⁸³ US Department of Commerce (2018), "Export Financing," available at <https://www.export.gov/article?id=Export-Financing>

⁸⁴ California Business Portal (2018), "Financing a Business," available at <http://www.businessportal.ca.gov/Business-Assistance/Financing-a-Business>

⁸⁵ Ibid

⁸⁶ California Business Portal (2018), "Financing a Business," available at <http://www.businessportal.ca.gov/Business-Assistance/Financing-a-Business>

financing. Historically, interest rates have been about 2% below prime interest rates. It should be noted certain federal and state regulations apply. The IDB financed project must be a facility used for the manufacturing, production, or processing of tangible property. At least 95% of bond proceeds must be spent on qualifying costs (e.g. land, building, equipment as well as capitalized interest during construction) and cannot be used for working capital or inventory. The capital expenditures for the project, when added to the company's other capital expenditures in the same public jurisdiction as the project for the three years immediately preceding and three years following the closing of the financing of the project, cannot exceed \$20 million. The project must meet certain public benefit criteria established by the California Debt Limit Allocation Committee (CDLAC), which among other things, includes the creation or retention of jobs. Prevailing wage must be paid to workers involved in the construction or renovation.⁸⁷

4.2.2 Illinois

- **Advantage Illinois** – The Advantage Illinois program is developed to support small businesses with obtaining medium- to long-term financing, in the form of term loans, in order to encourage business growth and expansion. Department participation is subordinated to the lender and has a “below market” interest rate.⁸⁸

- **Advancing the Development of Minority Entrepreneurship (ADME)** – This program is designed to strengthen Illinois' start-up and small business community with an initial focus on minority communities and minority-owned businesses in Chicago, Peoria, and Rockford with the goal of expanding statewide.⁸⁹

- **Illinois Finance Authority (IFA)** – IFA is a self-financed state authority principally engaged in issuing taxable and tax-exempt bonds, making loans, and investing capital for businesses, non-profit corporations, agriculture and local government units statewide. IFA finances about \$3 billion each year, helping generate economic growth and job creation.⁹⁰

4.2.3 Michigan

- **Capital Access Program (CAP)** – The CAP uses small amounts of public resources to generate private bank financing, which in turn grants small Michigan businesses access to capital that might not otherwise be available. The program can be used to finance most types of business expenses (with the exception of the construction or purchase of residential housing, development of a casino, stadium or arena, or passive real estate). The maximum loan amount which may be enrolled in CAP is \$5 million. Loans may not be exploited to refinance existing debt or to finance the unguaranteed portion of a SBA-guaranteed loan. CAP loans must be used for a new extension of credit. Similar to a loan loss reserve fund, the lender, the business involved, and the MSF all pay a small premium into a reserve that makes it possible for the business to receive fixed asset and working capital financing.⁹¹

⁸⁷ Ibid

⁸⁸ Illinois Department of Commerce & Economic Opportunity (2018), “Loans and Financing Options,” available at <https://www.illinois.gov/dceo/SmallBizAssistance/Financing/Pages/default.aspx>

⁸⁹ Ibid

⁹⁰ Ibid

⁹¹ Michigan Economic Development Corporation (2016), “Capital Access Program,” available at <https://www.michiganbusiness.org/cm/Files/Fact-Sheets/CAPAccess.pdf>

- **Michigan Business Development Program (MBDP)** – The Michigan Business Development Program uses funds from the Michigan Strategic Fund (MSF) and is provided in cooperation with the Michigan Economic Development Corporation (MEDC). The program is developed to provide grants, loans or other financial assistance to businesses for highly competitive projects across the state of Michigan that create jobs and/or generate investment.⁹²

4.2.4 New York

- **New Markets Tax Credit (NMTC) Program** – The NMTC program is focused on borrowers or projects that can generate new, quality, and permanent jobs for low-income communities throughout the state of New York or otherwise provide goods and services that benefit residents of those communities. The Empire State New Market Corporation (ESNMC), a subsidiary of Empire State Development (ESD), is a certified Community Development Entity under the federal Department of Treasury’s CDFI Fund. ESNMC received a second NMTC allocation award of \$55 million in November 2016, which is expected to be distributed during 2017 and 2018.⁹³ The program gears at least 50% of its financing activities towards borrowers in non-metropolitan (i.e. rural) counties as defined by the CDFI Fund, operating businesses seeking growth capital for equipment, inventory, and other growth needs, business or non-profit owner-occupied facilities and commercial or mixed-use real estate projects. Eligible recipients are companies with small projects or businesses with borrowers seeking \$200,000 to \$400,000 in flexible low-cost capital, as part of a total project budget of \$2 million or less, or projects or businesses that have capital needs that are at least \$10 million and have a \$1.5 to \$2 million gap that can be bridged by flexible low-cost NMTC capital.⁹⁴

⁹² Michigan Economic Development Corporation (2016), “Michigan Business Development Program,” available at <https://www.michiganbusiness.org/cm/files/fact-sheets/michiganbusinessdevelopmentprogram.pdf>

⁹³ Empire State Development (2018), “Financial support to grow your business in New York State,” available at <https://esd.ny.gov/doing-business-ny/growth-support>

⁹⁴ Ibid

Checklist

- Have you assessed the funding gap you are facing?
- Have you considered the various funding options that exist at the federal level?
- Have you considered the various funding options that exist at the state level?
- Have you compared the (dis)advantages of the various funding options that exist?
- Have you compared the various funding options vis-à-vis conventional funding options?
- Are you aware of the liabilities that come with the various funding options?
- Are you aware of eligibility criteria that come with the various funding options?

Useful Sources

California Business Portal (2018), "Financing a Business," available at <http://www.businessportal.ca.gov/Business-Assistance/Financing-a-Business>

Empire State Development (2018), "Financial support to grow your business in New York State," available at <https://esd.ny.gov/doing-business-ny/growth-support>

Illinois Department of Commerce & Economic Opportunity (2018), "Loans and Financing Options," available at <https://www.illinois.gov/dceo/SmallBizAssistance/Financing/Pages/default.aspx>

Investopedia (2018), "Fixed Income," available at <https://www.investopedia.com/terms/f/fixedincome.asp>

Investopedia (2018), "Trade Credit," available at <https://www.investopedia.com/terms/t/trade-credit.asp>

Michigan Economic Development Corporation (2016), "Capital Access Program," available at <https://www.michiganbusiness.org/cm/Files/Fact-Sheets/CAPAccess.pdf>

Michigan Economic Development Corporation (2016), "Michigan Business Development Program," available at <https://www.michiganbusiness.org/cm/files/fact-sheets/michiganbusinessdevelopmentprogram.pdf>

The Balance (2017), "Asset Based Loan Financing: How it Works and its Benefits," available at <https://www.thebalance.com/asset-based-loan-financing-how-it-works-and-its-benefits392992->

USA.gov (2017), "Finance Your Business," available at <https://www.usa.gov/funding-options>

05

**TAXATION &
INCENTIVES**

5 Taxation & Incentives

Taxation and incentives such as tax credits, tax exemptions, grants, and loans are important considerations for any foreign business looking to operate in the US. The US taxation is complex given its multi-level application (i.e. federal, state, and local levels) and needs thorough evaluation before business or trade is conducted. US states fiercely compete with each other for (foreign) investment and try to persuade investors to locate in their jurisdictions by offering attractive business environments complemented by competitive incentive propositions.

This Chapter highlights taxation structures and matters as well as incentive programs at federal, state, and local levels and should be perceived as a point-of-departure for any Jordanian business looking to invest, trade, or operate in the US.

5.1 Federal

5.1.1 Taxation

Taxes are imposed by federal, state, and local Governments, leading to different corporate taxation implications across different jurisdictions. All federal taxes are levied under the Internal Revenue Code (IRC). The most important federal tax provisions (i.e. corporate income, personal income, capital gains, dividends, payroll, and excise) are discussed in the next paragraphs. Sales, use, property, and land value taxes are levied at the state or local level.

Corporate Income Tax

The basic principle of US federal corporate income tax is that it distinguishes between two taxable corporate entities:

1. **Domestic corporations** organized in the US, which is taxed on its worldwide taxable income. This includes corporate gross income in the form of gross profits from services or sales, rents, interest, dividends, and royalties as well as capital gains and losses. The tax liability equals gross income minus deductions. Tax credits may be applied to directly lower the tax amount payable (i.e. after tax rate is applied to tax liability) and depends on the taxable income and tax brackets as shown in the table below.
2. **Foreign corporations** organized abroad, which is normally taxed only on accrued income earned from trade, business, or passive investment.
 - a. **Foreign corporations not engaged in a trade or business in the US.** These companies are subject to withholding tax on its passive investment income derived from US sources such as interest, dividends, rents, royalties, annuities, and other fixed or determinable annual or periodic gains, profits, or income. These are taxed at a flat rate of 30%. The entire amount of tax liability is taxed at the applicable rate of 30% as no income deductions are allowed.⁹⁵

⁹⁵ Interest earned on bank savings and insurance company deposits is excluded. A lower tax rate applies if a double taxation agreement applies. However, there is not such agreement between Jordan and the US in place.

b. **Foreign corporations engaged in a trade or business in the US.** The extent to which a foreign company is engaged in US trade or business is decided on a case-by-case basis, where the degree and nature of the US activity are the dominant factors evaluated.

i. Income that is “effectively connected” with the companies engagement in trade or business in the US is taxed at rates similar to domestic corporations⁹⁶ and depends on the taxable income and tax brackets as shown in the table below.

ii. Investment income that is “not effectively connected” with the companies engagement in trade or business in the US is taxed at rates similar to foreign corporations not engaged in a trade or business in the US.

iii. Branch profits remitted to the home office are subject to a secondary 30% tax.⁹⁷

Table 5.1 Federal tax rate schedule for corporate income

Taxable Income (\$) Minimum	Taxable Income (\$) Maximum	Fixed Amount	+ Tax Rate	of the Amount exceeding
\$0.00	\$50,000.00	\$0.00	+ 15%	\$0.00
\$50,000.00	\$75,000.00	\$7,500.00	+ 25%	\$50,000.00
\$75,000.00	\$100,000.00	\$13,750.00	+ 34%	\$75,000.00
\$100,000.00	\$335,000.00	\$22,250.00	+ 39%	\$100,000.00
\$335,000.00	\$10,000,000.00	\$113,900.00	+ 34%	\$335,000.00
\$10,000,000.00	\$15,000,000.00	\$3,400,000.00	+ 35%	\$10,000,000.00
\$15,000,000.00	\$18,333,333.00	\$5,150,000.00	+ 38%	\$15,000,000.00
\$18,333,333.00	...	\$6,416,666.54	+ 35%	\$18,333,333.00

Source: Department of the Treasury Internal Revenue Service (2017)

This tax structure has considerable implications for Jordanian investors and businesses looking to operate in the US in one or more different ways. For instance, a Jordanian company looking to acquire US property without actively pursuing trade or business in the US is subject to the 30% flat rate while a US branch office or subsidiary actively conducting business or trade in the US is subject to rates computed on the annual taxable income and applicable tax brackets.

Personal Income Tax

The structure for personal income tax changed considerably over 2018 due to the passage of the Tax Cuts and Jobs Act (TCJA).⁹⁸ Personal income tax is applicable to so-called “pass-

⁹⁶ May include certain income earned through foreign sources that is “effectively connected” with US trade or business. A lower tax rate applies if a double taxation agreement applies. However, there is not such agreement between Jordan and the US in place.

⁹⁷ Unless reduced by an appropriate exemption or if a double taxation agreement applies. However, there is not such agreement between Jordan and the US in place.

⁹⁸ Tax Foundation (2018) “(2018 Tax Brackets (Updated))” available at <https://files.taxfoundation.org/20180103145945/Tax-Foundation-FF-567Updated.pdf>

through” entities, which are entities that are not taxed at the corporate income level but at the personal income level as their income is passed through directly to the business owners. Pass-through entities include sole proprietorships, partnerships, limited liability companies, and S corporations. Individuals are taxed based on various tax brackets and rates as the table below shows.

Table 5.2 Federal tax rate schedule for personal income

Tax Rate	Taxable Income (\$) - Unmarried Individuals	Taxable Income (\$) - Married Individuals Filing Joint Returns	Taxable Income (\$) - Heads of Households
10%	\$0.00	\$0.00	\$0.00
12%	\$9,525.00	\$19,050.00	\$13,600.00
22%	\$38,700.00	\$77,400.00	\$51,800.00
24%	\$82,500.00	\$165,000.00	\$82,500.00
32%	\$157,500.00	\$315,000.00	\$157,500.00
35%	\$200,000.00	\$400,000.00	\$200,000.00
37%	\$500,000.00	\$600,000.00	\$500,000.00
Standard Deduction	\$12,000.00	\$24,000.00	\$18,000.00

Source: Tax Foundation (2018)

Capital Gains & Dividends Tax

Two common sources of income concern capital gains and dividends:

1. Capital gains are the result of the sale or exchange of capital assets with a profit (i.e. sold for a higher price than the original purchase price).⁹⁹ Capital gains can be short-term or long-term.
 - a. Short-Term. Assets that are held less than one year, which are considered as ordinary income and therefore taxable at income tax rates.
 - b. Long-Term. Assets that are held longer than one year, of which the net capital gains for the year are taxed at lower capital gain tax rates as demonstrated in the table below.
2. Dividends are the result of assets paid out of the profits of a corporation to the stockholders. Dividends can be qualified or ordinary.
 - a. Qualified. Dividends considered as capital gains and therefore taxable at lower capital gain tax rates as demonstrated in the table below.
 - b. Ordinary. Dividends considered as ordinary income and therefore taxable at income tax rates.

⁹⁹ Investopedia (2017), "Is there a difference between capital gains and dividend income?," available at <https://www.investopedia.com/ask/answers/033015/there-difference-between-capital-gains-and-dividend-income.asp>

Table 5.3 Federal tax rate schedule for long-term capital gains & dividends

Tax Rate	Capital Gains (\$)	Capital Gains (\$)	Capital Gains (\$)	Capital Gains(\$)
	- Unmarried Individuals	- Married Individuals Filing Joint Returns	- Heads of Households	- Married Individuals Filing Separate Returns
0%	Up to \$38,600.00	Up to \$77,200.00	Up to \$51,700.00	Up to \$38,600.00
15%	\$38,600 - \$425,800.00	\$77,200.00 - \$479,000.00	\$51,700.00 - \$452,400.00	\$38,600.00 - \$239,500.00
20%	Over \$425,800.00	Over \$479,000.00	Over \$452,400.00	Over \$239,500.00

Source: Department of the Treasury Internal Revenue Service (2017)

This tax structure has considerable implications for Jordanian investors and businesses looking to operate in the US in one or more different ways. For instance, a Jordanian company looking to acquire US property without actively pursuing trade or business in the US is subject to the 30% flat rate while a US branch office or subsidiary actively conducting business or trade in the US is subject to rates computed on the annual taxable income and applicable tax brackets.

The overall federal income taxation structure is summarized in Figure 5.1. In addition, payroll and excise taxes are among the main federal taxes that may affect Jordanian businesses.

Payroll Tax

Two major federal payroll taxes apply.¹⁰⁰ The table below summarizes the current tax rates and conditions.

1. Federal Unemployment Tax Act (FUTA), which is only paid by employers. The normal net FUTA tax rate, however, frequently equals 0.6% as a tax credit with a maximum of 5.4% may be applied when employers file their FUTA return.
2. Federal Insurance Contributions Act (FICA) Tax, which is paid both by employers as well as employees to contribute to social security and medi-care taxes. An additional medi-care tax withholding applies to wages exceeding \$200,000.

Table 5.4 Federal tax rate schedule for payroll taxes

	FICA - Medicare	FICA – Social Security	FUTA
Maximum Taxable Earnings	No Limit	\$128,400.00	\$7,000
Employee / Employer Tax Rate	1.45%	6.2%	-

¹⁰⁰ IRS (2018), "Understanding Employment Taxes," available at <https://www.irs.gov/businesses/small-businesses-self-employed/understanding-employment-taxes>

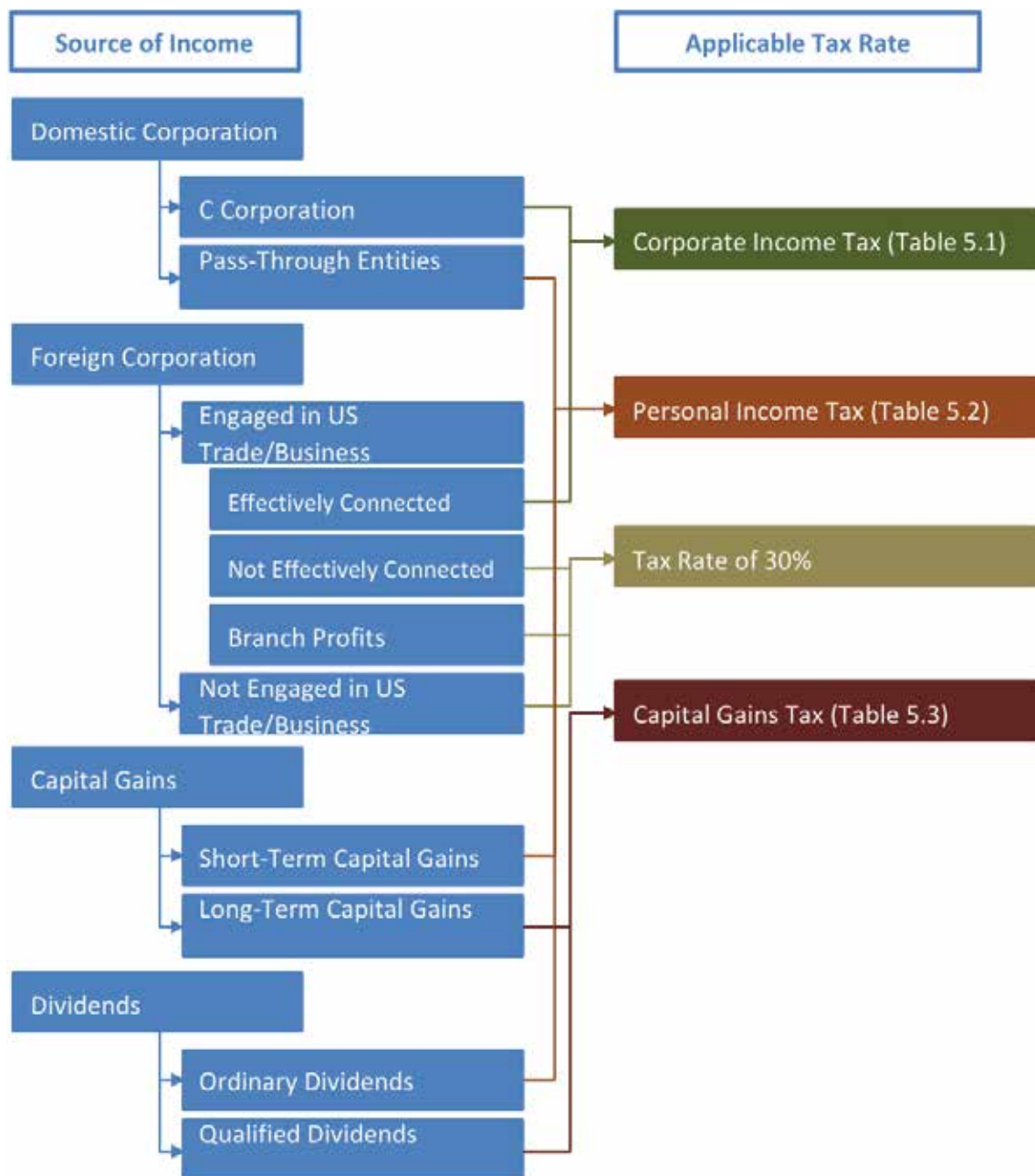
Additional Tax Withholding on Wages > \$200,000	0.9%	-	-
Percent of Taxable Wages	-	-	6.0%

Source: ADP (2018)

Excise Taxes

Finally, a number of federal excise taxes are imposed on certain goods and services, most notably gasoline, diesel, tobacco, air travel and cargo, health insurance providers, and alcohol.¹⁰¹

Figure 5.2 Schematized structure of the US income taxation structure



Source: Investment Consulting Associates – ICA (2018)

¹⁰¹ Tax Policy Center (2016), "Excise Taxes," available at <http://www.taxpolicycenter.org/briefing-book/what-are-major-federal-excise-taxes-and-how-much-money-do-they-raise>

Tip 5.1

Obtain advice from professional tax advisers, accounting firms, or lawyers for Jordanians looking to operate in the US on your customized income tax planning as different tax laws and exemptions may apply.

Filing Federal Corporate Taxes in the US**How?**

The process of filing taxes depends on the structure of the firm:

1. C corporations file their federal income tax returns using Form 1120.
2. S corporations file their federal income tax returns using Form 1120S.

Corporate tax returns can be submitted by mail or through the Electronic Federal Tax Payment System (EFTPS).

When?

1. C corporations need to typically submit their tax return on the 15th day of the fourth month of the company's fiscal year, which is mostly April 15th.
2. S corporations are taxed on personal income tax returns. This requires an S corporation to typically take a calendar year end date (December 31) to coincide with the personal tax year end. Exceptions may be made if the corporation can establish a reasonable business purpose for a different date. The filing date and tax return due date are the 15th day of the third month of the company's fiscal year, which is mostly March 15th.

What?

A number of documents and reports are required to be incorporated in the tax prepare. This depends on the corporate structure of the company (i.e. C corporation or S corporation) but includes at least:

- Balance sheet for the beginning of the corporation's fiscal year.
- Balance sheet for the end of the corporation's fiscal year.
- Profit and loss statement for the end of the year.
- Information to calculate cost of goods sold.

Source: *The Balance* (2017)

5.1.2 Incentives

A wide variety of Government incentive and assistance programs are available to foreign and domestic business across the US. Most of the incentive programs available in the US are issued and administered at the level of individual states or even at the local municipal level. Many federal tax incentive programs have gradually been abolished though some incentive programs are offered at the federal level.¹⁰² The majority of these programs are registered by the Economic Development Administration (EDA) of the US Department of Commerce while most of the state or local incentive programs, that typically take the form of property, sales, and use tax exemptions, tax credits, or tax refunds, are negotiated, awarded, and administered by regional or local economic development organizations (EDOs), development credit corporations, and/or state agencies. The objective of these state and local incentive programs frequently concerns attracting capital investment, generating job opportunities, and improving welfare of local residents in less affluent areas and therefore may be location-specific of nature (i.e. not equally available across the state).

It is important to note eligibility conditions differ considerably per incentive program though certain new jobs and capital investment threshold are pre-requisite for business to be eligible for most state and municipal incentive programs. Incentive applications require the disclosure of a variety of corporate information and data and requires a considerable amount of time, preparation, and paperwork. Companies looking to apply for incentives need to conduct thorough research by obtaining credible, reliable, and up-to-date information:

1. Check which incentives are available at the federal level through the website of Select USA.
2. Check which incentives are available at the state or local level through the website of a regional or local economic development agency through the national Economic Development Directory and State-Designated Investment Officials.

Tip 5.2

Obtain advice from professional tax advisers, accounting firms, or lawyers for Jordanians looking to operate in the US on your customized incentive package as different incentive programs with very specific eligibility criteria and performance requirements may be available at the federal, state, and local level.

The following is a snapshot of key federal incentive programs.

Research & Experimentation Tax Credit

One of the most important federal incentives is the Research & Experimentation Tax Credit, also known as the R&D Tax Credit, and supports businesses engaged in developing new, improved, or technologically advanced products or trade processes or improving the performance, functionality, reliability, or quality of existing products or trade processes.¹⁰³ Internal Revenue Code (IRC) Section 41 stipulates the exact expensed business incurred

¹⁰² BKD International Tax Services Division (2017), "(2017 Business & Taxation Guide" to the United States," available at <https://www.bkd.com/docs/service/tax/BusinessTaxationGuide-US.pdf>

¹⁰³ Ineligible R&D activities include research conducted after the beginning of commercial production or implementation of the business component (with some exceptions), adaptation or duplication of existing business components, surveys, studies, or activities related to management functions or techniques, market research, testing, or development (including advertising or promotions), routine data collection, routine or ordinary testing or inspection for quality control, computer software, except where developed for internal use, research conducted outside of the US, research in social sciences, and funded research.

that are considered as Qualified Research Expenses (QRE).¹⁰⁴ These include wages paid to employees for qualified services, supplies, third party contract research expenses (up to 65% of the expenses incurred), and basic research payments made to qualified educational institutions and various scientific research organizations (up to 75% of expenses incurred). Eligible companies include companies of all sizes, whereas start-up companies in particular can apply the R&D Tax Credit to offset up to \$250,000 per year on payroll taxes.¹⁰⁵ The R&D Tax Credit has become permanent under the Protecting Americans from Tax Hikes (PATH) Act of 2015.

Community Development Block Grant Program – CDBG

Annual grants on a formula basis are provided to over 1,200 general units of local government and States under the Community Development Block Grant (CDBG) program. The CDBG program is administered by the US Department of Housing and Urban Development (HUD) and supports States, local Governments, and municipalities to address a wide range of unique community development needs. Core part of the CDBG program concerns creating economic opportunities for low- and moderate-income persons and supporting economic development through housing rehabilitation, public facilities, and large-scale physical development projects. This is where the CDBG may also prove to be of interest to business and firms.

Foreign-Trade Zones – FTZs

US Foreign-Trade Zones (FTZs) are a concept somewhat similar to Free Zones in Jordan but differ slightly. FTZs are always located within a 60 miles or 90 minutes' drive radius of a US port of entry (e.g. airport or port) and are considered outside the domestic customs area of the US though FTZs are supervised by the US Customs and Border Protection (CBP). Benefits in FTZs available to (foreign) investors typically concern duty deferral, exemption, and reduction, supporting businesses to realize duty cost savings. Apart from these savings, FTZs provide special customs procedures (e.g. direct delivery and weekly entry) that expedite the process of customs clearance of imports and exports. As opposed to other types of Free Zones, US FTZs do not provide incentives related to corporate income tax exemptions and holidays or grants. Currently, a total of more than 230 FTZs are active across the US, which are supervised by the Foreign-Trade zones Board (FTZB).

¹⁰⁴ The CPA Journal, (2017), "U.S. Research and Development Tax Credit," available at <https://www.cpajournal.com/30/10/2017/u-s-research-development-tax-credit/>

¹⁰⁵ BKD International Tax Services Division (2017) ,(2017 Business & Taxation Guide," available at <https://www.bkd.com/docs/service/tax/BusinessTaxationGuide-US.pdf>

5.2 – Per State

5.2.1 California

California's business tax climate ranks among the least favourable of all US states according to the Tax Foundation's State Business Tax Climate Index of 2018. California's 13.3% top marginal personal income tax rate is the highest in the US, which kicks in at a relatively high level of taxable income of \$1 million. Furthermore, California's personal income tax is structured based on ten tax brackets, which is among the highest number of tax brackets across the US. California's sales tax is also among the highest with a 7.25% state sales tax together with an average mandatory state-wide local add-on sales tax of 1.23%. Finally, state unemployment insurance tax rates in California vary from a minimum of 1.50% to a maximum of 6.20% with a taxable base wage of \$7,000.¹⁰⁶

Table 5.5 Key state and local taxes in California

	State Corporate Income Tax	State Personal Income Tax	State & Local Sales Tax	State Property Tax
California Tax Rate	8.84%	1.00% to 13.30%	8.48%	0.72%

Source: Tax Foundation (2018)

Table 5.6 State personal income tax rates and brackets in California

Tax Rate	Taxable Income (\$) - Unmarried Individuals	Taxable Income (\$) - Married Individuals Filing Joint Returns
1.00%	\$0.00	\$0.00
2.00%	\$8,015.00	\$16,030.00
4.00%	\$19,001.00	\$38,002.00
6.00%	\$29,989.00	\$59,978.00
8.00%	\$41,629.00	\$83,258.00
9.30%	\$52,612.00	\$105,224.00
10.30%	\$268,750.00	\$537,500.00
11.30%	\$322,499.00	\$644,998.00
12.30%	\$537,498.00	\$1,000,000.00
13.30%	\$1,000,000.00	\$1,074,996.00
Standard Deduction	\$4,129.00	\$8,258.00

Source: Tax Foundation (2018)

¹⁰⁶ Tax foundation (2018) "(2017 State Business Tax Climate Index," available at https://files.taxfoundation.org/20171016171625/SBTCI_2018.pdf

Incentive programs within the state of California most relevant to Jordanian businesses are listed below.

Table 5.7 Key incentive programs in California

Program	Type	Activity/ Sector	Description	Eligibility
California Competes Tax Credit (CCTC)	Fiscal - Tax Credit	<ul style="list-style-type: none"> • Non-Sector Specific • Start-Up • Business Expansion • Workforce 	A non-refundable corporate income tax credit of which 25% is reserved for small businesses.	Available to new and existing companies in California that create new jobs and new capital investment.
New Employment Credit (NEC)	Fiscal - Tax Credit	<ul style="list-style-type: none"> • Non-Sector Specific • Start-Up • Business Expansion • Workforce 	A credit worth 35% of qualified wages of a qualified employee (with a maximum of \$56,000 per employee). Wages between 1.5 and 3.5 times the minimum wage qualify for NEC.	Available to eligible taxpayers hiring a full-time qualified employee in a designated census tract or economic development area. Census tract areas are areas within California with the highest unemployment and poverty rates.

R&D Tax Credit	Fiscal - Tax Credit	<ul style="list-style-type: none"> • R&D 	A credit worth 24% for basic research payments to third party organizations or 15% of the excess of current year research expenditures over a computed base amount (minimum of 50% of current year research expenses).	Available to eligible companies that paid for or incurred qualified research expenses (i.e. wages, supplies, and contract research costs) while conducting qualified research activity in California. The tax credit may be applied on the tax return for the taxable year the taxpayer incurred the qualified expenses.
Employment Training Panel (ETP)	Financial – Cash Reimbursement	<ul style="list-style-type: none"> • Non-Sector Specific • Business Expansion • Workforce 	ETP provides a specific, fixed-fee cash reimbursement for the costs of employer-customized, job-specific skills training conducted by a company for new hires or existing employees.	Available to companies looking to upgrade the skills of their workers. Qualified businesses need to determine their own training requirements and how training will be provided. The reimbursement rate and the number of training hours delivered and registered determine the value of the cash reimbursement.

California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA)	Fiscal – Exclusion of Sales and Use tax	<ul style="list-style-type: none"> • Advanced Manufacturers • Manufacturers of Alternative Source and advanced transportation products • Manufacturers using recycled feedstock 	Full sales and use tax exclusion for products, components, or systems used in advanced manufacturing and transportation.	Available to new and expanding companies that paid sales and use taxes on the purchase of Qualified Property, which includes tangible personal property used in advanced manufacturing or recycled feedstock ¹⁰⁸ or for the design, manufacture, production, or assembly of Advanced Transportation Technologies, or Alternative Source products, components, or systems
Manufacturing and R&D Equipment Partial Exemption	Fiscal - Exemption of Sales and Use tax	<ul style="list-style-type: none"> • Manufacturing • Food Processing • R&D • Biotechnology 	The partial state sales and use tax exemption of 3.9375% applies to the sale, purchase, and lease of qualified tangible personal property on or after July 1, 2014 and before July 1, 2030.	Available to businesses engaged in manufacturing, research and development in biotechnology, and research and development in the physical, engineering, and life sciences that purchased qualified tangible personal property (i.e. machinery and equipment) and used this in a qualified manner.

Source: California Governor's Office of Business and Economic Development (2017), and California Business Portal (2018)

¹⁰⁷ At least %50 of tangible personal property is used to process Recycled feedstock.

5.2.2 Illinois

Illinois' business tax climate ranks within the middle segment of all US states according to the Tax Foundation's State Business Tax Climate Index of 2018. The state of Illinois personal income tax rate increased from 3.75% to 4.95% of federal taxable income in July 2017. Nevertheless, its personal income tax rate is among the country's most competitive as it concerns a low flat-rate without tax brackets, meaning the low tax rate kicks in at the first dollar of income. Illinois leverages an additional 1.5% tax (known as the personal property replacement tax or PPRT) on pass-through entities, increasing the rate for these businesses to 6.45%. Illinois' personal income system is also efficient given its straightforward definition of what constitutes taxable income (i.e. federal taxable income), which plagues other states with more complex definitions (e.g. California). Illinois' corporate income tax rate of 9.50%, which was raised from 7.75% in 2017, includes two separate corporate income taxes, one at a 7.0% rate and one at a 2.50% PPRT rate. Illinois' state sales tax equals 6.25% with an average local sales tax of 2.44%, leading to an overall rate of 8.69%. Finally, state unemployment insurance tax rates in Illinois vary from a minimum of 0.55% to a maximum of 7.35% with a taxable base wage of \$12,960.¹⁰⁸

Table 5.8 Key state and local taxes in Illinois

	State Corporate Income Tax	State Personal Income Tax	State & Local Sales Tax	State Property Tax
Illinois Tax Rate	9.50%	4.95%	8.69%	1.97%

Source: Tax Foundation (2018)

Incentive programs within the state of Illinois most relevant to Jordanian businesses are listed below.

Table 5.7 Key incentive programs in California

Program	Type	Activity/ Sector	Description	Eligibility
Economic Development for a Growing Economy (EDGE)	Fiscal - Tax Credit	<ul style="list-style-type: none"> • Non-Sector Specific • Start-Up • Business Expansion • Workforce 	A non-refundable corporate income tax credit which is calculated as the amount of state income taxes withheld from the salaries of employees in newly created jobs.	Available to new and existing companies in Illinois that create new jobs and new capital investment.

¹⁰⁸ Tax foundation (2018), (2017 State Business Tax Climate Index," available at https://files.taxfoundation.org/20171016171625/SBTICI_2018.pdf

High Impact Business (HIB) Program	Fiscal – Various Credits/ Exemptions	<ul style="list-style-type: none"> • Non-Sector Specific • Major Investment or Expansion 	An investment tax credits, a state sales tax exemption on building materials and/or utilities, and a state sales tax exemption on purchases of personal property	<p>Available to companies making substantial capital investments in operations and creating or retaining an above average number of jobs in designated zones:</p> <ul style="list-style-type: none"> • \$12 million and 500 full-time jobs. • \$30 million investment with the retention of 1,500 full-time jobs.
Large Business Development Program (LBDP)	Financial – Grant/Loan	<ul style="list-style-type: none"> • Non-Sector Specific • Major Investment or Expansion 	Discretionary grants to support the costs related to land, infrastructure improvements, and site preparation; construction and/or renovation of buildings and structures; machinery and equipment.	Available to companies creating and/or retaining at least 300 FTE jobs within a two year period, currently employing at least 500 employees with multi-state location options.

Source: Illinois Department of Commerce and Economic Opportunity (2017)

5.2.3 Michigan

Michigan's business tax climate ranks 12th and therefore ranks among the most competitive of all US states according to the Tax Foundation's State Business Tax Climate Index of 2018. Michigan's state personal income tax consists of a single low tax rate of 4.25% which is applied to the federal adjusted gross income with modification and therefore kicks in at the first dollar of income. This implies Michigan's personal income tax structure is straightforward (i.e. federal gross adjusted income) and is characterized by a flat-level system without tax brackets. Michigan does allow local-level income taxes added to the 4.25% state rate. Michigan levies a relatively low sales tax of 6.00% with no local sales taxes. Finally, state unemployment insurance tax rates in Michigan vary from a minimum of 0.72% to a maximum of 12.93% with a taxable base wage of \$9,000.¹⁰⁹

Table 5.10 Key state and local taxes in Michigan

	State Corporate Income Tax	State Personal Income Tax	State & Local Sales Tax	State Property Tax
Michigan Tax Rate	6.00%	4.25%	6.00%	1.43%

Source: Tax Foundation (2018)

Incentive programs within the state of Michigan most relevant to Jordanian businesses are listed below.

Table 5.11 Key incentive programs in Michigan

Program	Type	Activity/ Sector	Description	Eligibility
Michigan Business Development Program (MBDP)	Financial – Grant/Loan	<ul style="list-style-type: none"> • Non-Sector Specific • Start-Up • Business Expansion • Workforce 	Performance-based grant with flexible repayment terms and conditions or performance-based loan with below-market interest rates, extended grace and repayment provisions, and flexible terms.	Available to highly competitive investment projects in Michigan that create at least 50 new qualified jobs ¹¹¹ and/or new qualified capital investment.

¹⁰⁹ Tax foundation (2018) ,(2017 State Business Tax Climate Index," available at https://files.taxfoundation.org/20171016171625/SBTCL_2018.pdf

¹¹⁰ A minimum of 25 new qualified jobs in case of a rural county (population <90,000) or qualified as high-technology project

<p>Good Jobs for Michigan</p>	<p>Fiscal – Withholding Tax Retention</p>	<ul style="list-style-type: none"> • Non-Sector Specific • Major Investment or Expansion 	<p>Retention of up to 100% of new employees’ withholding taxes for a period of up to ten years.</p>	<p>Available to businesses providing the following number of certified new jobs:</p> <ul style="list-style-type: none"> • 3,000 new certified jobs with an average annual wage equal to 100% of the prosperity region average wage (100% retention for ten years). • 500 new certified jobs with an average annual wage equal to 100% of the prosperity region average wage (50% retention for five years). • 250 new certified jobs an average annual wage equal to 125% of the prosperity region average wage (100% retention for ten years).
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Industrial Property Tax Abatement	Fiscal – Real Estate and Property Tax Abatement	<ul style="list-style-type: none"> • Manufacturing • High-Technology¹¹² • New Investment or Expansion 	Abatement on real estate and personal property taxes for up to twelve years.	Available to manufacturing or processing goods or materials by physical or chemical change as well as R&D laboratories, high-tech facilities, communication centers, and certain warehouses, distribution, and storage facilities. ¹¹³
Sales Tax Exemption for Industrial Processing	Fiscal – Sales and Use Tax Exemption	<ul style="list-style-type: none"> • Manufacturing 	Exemption from state sales and use tax.	Available to manufactures using qualified tangible property (e.g. machinery, equipment, and energy) used in assembly, R&D, engineering, (re) manufacturing, and storage.
Renaissance Zones	Fiscal – Various Exemptions	<ul style="list-style-type: none"> • Non-Sector Specific • Location Specific 	Exemption from state personal income tax, state education tax, local personal property tax, local real property tax, local personal tax, and utility user tax (Detroit only). State sales and use tax is still applicable.	Available to companies located in 21 qualified geographical zones. Tax exemptions will be phased out in 25 increments during the last three years of zone designation.
Border County Incentives	Fiscal – Various Exemptions	<ul style="list-style-type: none"> • Location Specific • Warehousing • Distribution • Logistics 	Full personal property tax abatement and 50% property tax reduction.	Available to new warehousing, distribution, and logistic facilities located in counties bordering another US state or Canada.

Source: Michigan Economic Development Corporation (2018)

¹¹¹ Advanced computing, advanced materials, biotechnology, electronic device technology, engineering or laboratory testing related to product R&D and advanced vehicles technology or technology that assists in the assessment or prevention of threats or damage to human health or the environment.

¹¹² Located in specific border counties of which at least %90 of the property (at least 100,000 square feet) must be used as a communications center, warehouse, logistics, or distribution.

5.2.4 New York

The state of New York's business tax climate ranks is the least favourable of all US states except for the business tax climate of New Jersey according to the Tax Foundation's State Business Tax Climate Index of 2018. This is particularly driven by New York's top marginal personal income tax rate of 8.82%, which is among the highest in the US and which kicks in at a high level of taxable income of \$1,077,550. Furthermore, New York's personal income tax is structured based on eight tax brackets, which is among the highest number of tax brackets across the US. New York also imposes a "recapture" provision, where the rate of the top income tax bracket (i.e. 8.82%) is applied to previous taxable income after the taxpayer crosses the top bracket threshold (i.e. taxable income over \$1,077,550.00). Corporate state income tax in New York is relatively favourable, at a flat-rate of 6.50%. New York's sales tax of 8.49% is among the highest with a 4.00% state sales tax together with an average state-wide local add-on sales tax of 4.49%. Finally, state unemployment insurance tax rates in New York vary from a minimum of 1.30% to a maximum of 9.10% with a taxable base wage of \$10,900.¹¹³

Table 5.12 Key state and local taxes in New York

	State Corporate Income Tax	State Personal Income Tax	State & Local Sales Tax	State Property Tax
New York Tax Rate	6.50%	4.00% to 8.82%	8.49%	4.59%

Source: Tax Foundation (2018)

Table 5.13 State personal income tax rates and brackets in New York

Tax Rate	Taxable Income (\$) - Unmarried Individuals	Taxable Income (\$) - Married Individuals Filing Joint Returns
4.00%	\$0.00	\$0.00
4.50%	\$8,500.00	\$17,150.00
5.25%	\$11,700.00	\$23,600.00
5.90%	\$13,900.00	\$27,900.00
6.45%	\$21,400.00	\$43,000.00
6.65%	\$80,650.00	\$161,550.00
6.85%	\$215,400.00	\$323,200.00
8.82%	\$1,077,550.00	\$2,155,350.00
Standard Deduction	\$8,000.00	\$16,050.00

Source: Tax Foundation (2018)

Incentive programs within the state of New York most relevant to Jordanian businesses are listed below.

¹¹³ Tax foundation (2018" ,(2017 State Business Tax Climate Index," available at https://files.taxfoundation.org/20171016171625/SBTICI_2018.pdf

Table 5.7 Key incentive programs in California

Program	Type	Activity/ Sector	Description	Eligibility
Excelsior Jobs Program	Fiscal – Tax Credit	<ul style="list-style-type: none"> • Non-Sector Specific • Start-Up • Business Expansion • Workforce 	<p>Four fully refundable tax credits:</p> <ul style="list-style-type: none"> • Jobs tax credit of 6.85% of wages per net new job. • Investment Tax Credit equalling 2% of qualified investment. • R&D credit of 50% of the Federal R&D credit up to 6% of R&D expenditures in New York. • Real property tax credit for firms locating in certain distressed areas. 	Available to strategic businesses that located or expand in the state of New York, thereby creating at least five net new jobs or retained jobs ¹¹⁵ and making considerable capital investment. The number of net new jobs for which a business qualifies depends on the sector or industry.
START UP NY Program	Fiscal –Tax Exemption	<ul style="list-style-type: none"> • Non-Sector Specific • Start-Up 	A ten year exemption on state corporate income taxes.	Available to businesses creating new jobs and partnering with a New York State college or university that are on or near eligible university or college campuses in New York State. ¹¹⁶

¹¹⁴ Firms in strategic industries that make significant capital investment that have at least 25 employees; manufacturing firms who retain at least five employees are also eligible to apply for the Excelsior Jobs Program.

¹¹⁵ Not available for retail, wholesale, Law and accounting firms, Real estate management companies/brokers, retail banking, Utilities and energy production, Finance and financial services, and Businesses providing personal services, business administration support and services.

Life Sciences Research and Development Tax Credit Program	Fiscal – Tax Credit	<ul style="list-style-type: none"> • Life Sciences 	Fully refundable three years tax credit based on qualified R&D expenditures.	<p>Available to qualified new companies in engaged life sciences to locate or expand in the state of New York:</p> <ul style="list-style-type: none"> • 15% credit for a qualified company that employs ten or more persons. • 20% credit for a qualified company that employs ten or less people.
Employee Training Incentive Program	Fiscal – Tax Credit	<ul style="list-style-type: none"> • Strategic Industry • Life Sciences • Advanced Technology 	Refundable tax credit covering training expenses or internship costs.	<p>Available to companies looking to provide skills training to or improve the productivity of their employees:</p> <ul style="list-style-type: none"> • Employee Training Program: a credit equaling 50% of eligible training costs (max. \$10,000 per trainee). Businesses must make a significant capital investment resulting in a benefit-cost ratio of at least 10:1 in connection with the eligible training project. • Internship Program: a credit equaling 50% of the stipend paid to an intern (max. \$3,000) in advanced technology or life sciences.

116 Agricultural biotechnology, biogenerics, bioinformatics, biomedical engineering, biopharmaceuticals, academic medical centers, biotechnology, chemical synthesis, chemistry technology, medical diagnostics, genomics, medical image analysis, marine biology, medical devices, medical nanotechnology, natural product pharmaceuticals proteomics, regenerative medicine, RNA interference, stem cell research, medical and neurological clinical trials, health robotics and veterinary science.

New York Empowerment Zone Program	Fiscal – Various Exemptions	<ul style="list-style-type: none"> • Non-Sector Specific • Location Specific 	Employment credits, a 0% tax on capital gains, increased tax deductions on equipment, accelerated depreciation, and other incentives.	Available to companies located in nine Empowerment Zones in South Bronx and Upper Manhattan.
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Source: *Empire State Development (2018)*

Checklist

- Have you considered whether you will be actively engaged in trade and business in the US or not?
- Have you conducted due diligence with regards to federal tax(es) applicable to your operation(s)?
- Have you conducted due diligence with regards to tax(es) applicable in the state of your operation(s)?
- Have you conducted due diligence with regards to tax(es) applicable in the municipality of your operation(s)?
- Have you obtained credible and reliable advice from professional tax advisers, accounting firms, or lawyers?
- Have you conducted due diligence with regards to federal incentive program(s) applicable to your operation(s)?
- Have you conducted due diligence with regards to incentive program(s) in the state of your operation(s)?
- Have you checked the performance requirement(s) of the incentive program(s)?
- Can you maintain compliance with performance requirement(s) of the incentive program(s)?

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06

**IMMIGRATION
& VISAS**

6 Immigration & Visas

According to the US Immigration Laws, aliens from abroad are either defined as immigrants or non-immigrants.¹¹⁷ The former have obtained permission to reside and work in the US permanently, while the latter only enter the country for a temporary purpose. An immigrant enjoys the same responsibilities, rights, and privileges as US citizens with the exception of the right to vote and hold certain positions within the Government. The purpose of this Section is to explore the different forms of US visa and corresponding procedures for obtaining these visa.

6.1 Federal

6.1.1 Non-Immigrant Visas

The specific form of visa determines the procedure for obtaining a visa and should be sought through the US Citizenship and Immigration Services (USCIS). The table below summarizes the most common types of visas.

Table 6.1 Most common non-immigrant visas

Type	Description	Costs	Maximum Stay	Renew
B-1	Available for a business visitor who needs to be in the US for temporary business purposes and who has an established residence in Jordan to which the visitor intends to return. The visa may not be extended for a period in excess of four years and employment under this visa is not accepted.	\$160	6 months	Yes
B-2	Available for tourism, holiday, visit with friends or relatives, medical treatment, participation in social events hosted by fraternal, social, or service organizations, participation by amateurs in musical, sports, or similar events or contests, if not being paid for participating, and enrollment in a short recreational course of study, not for credit toward a degree (for example, a two-day cooking class while on vacation).	\$160	6 months	Yes
E-1 E-2	Available for a visitor (and spouse and/or children) from a country with which the US has signed a commerce and navigation treaty. Such a treaty exists between the US and Jordan. Purpose of the visit must be to either engage in direct trade or direct operations in an establishment in which the visitor has invested a considerable amount of capital.	\$205	2 years	Yes

¹¹⁷ BKD International Tax Services Division (2017), "(2017 Business & Taxation Guide to the United States," available at <https://www.bkd.com/docs/service/tax/BusinessTaxationGuide-US.pdf>

H-1 H-2	Available for a visitor intending to remain a permanent resident in Jordan but looking for temporary employment in the US where this employment can't be performed by a US resident. This typically involves skill and recognition substantially above that of the ordinary individual.	\$190	3 years	Yes
J	Available to visitors participating in programs promoting cultural exchange (i.e. medical or business training). Visitors must be sponsored by either the private sector or a Government program and need to comply with strict eligibility criteria.	\$160	End of exchange program	No
L	Available for a visitor intending to render managerial or other specialized services at a branch, parent, affiliate, or subsidiary of the current employer. The individual must have been employed by the same employer abroad continuously for one year within the three preceding years.	\$190	3 years	Yes
O	Available for a visitor with extraordinary ability or achievement in a particular field. These fields include sciences, arts, education, business, athletics, motion picture and television fields. The extraordinary ability or achievement must be demonstrated by sustained national or international acclaim.	\$190	3 years	Yes

Source: *BKD International Tax Services Division (2017)* and *US Department of State – Bureau of Consular Affairs (2018)*

As mentioned, special visa benefits apply under the Jordan - US FTA as per visa types E-1 and E-2. The US agreed to provide eligible Jordanian nationals treaty-trader (E-1) and treaty-investor (E-2) visas, though they remain subject to applicable provisions of US immigration and related laws. This is stipulated in Article 8 of the Jordan – US FTA:

1. Both Jordan as well as the US shall permit to enter and to remain in its territory nationals of the other country solely to carry on substantial trade, including trade in services or trade in technology, principally between Jordan and the US.
2. Subject to its laws relating to the entry, sojourn and employment of aliens (i.e. nationals with another nationality), both Jordan and the US shall permit to enter and to remain in its territory nationals of the other country for the purpose of establishing, developing, administering or advising on the operation of an investment to which they, or a company of the other country that employs them, have committed or are in the process of committing a substantial amount of capital or other resources.

Concrete, this implies that nationals of Jordan eligible for treaty-trader¹¹⁸ (E-1) and treaty-investor¹¹⁹ (E-2) visas subject to the applicable provisions of US laws and corresponding regulations governing entry, sojourn and employment of non-US nationals. Jordan, on the other hand, also guarantees similar treatment for US nationals seeking to enter Jordan's territory.

E-1 and E-2 are specified in Section 101(a)(15)(E) of the Immigration and Nationality Act (INA). According to this section, these visa provide treaty traders and investors non-immigrant status for a national of any of the country with which an appropriate treaty of commerce and navigation exists. For Jordan, this concerns the Jordan – US FTA. The category of E visa is popular because - unlike the L-1 category - it is not necessary to maintain a business outside the US while E-1 and E-2 visas can be renewed every five years without limits. Furthermore, E visas can be obtained much more cheaply and more quickly than L-1 or H-1 visas. Unlike the H-1 visa category, there is no quota.¹²⁰

Table 6.2 Documents and other requirements for E-1 and E-2 visa

Document	Description	Required for	
		E-1	E-2
Financial Statement	Copy of the company's most recent financial statement.	No	Yes
Comprehensive Letter	letter from the principal Jordan national's company or employer identifying the applicant and describing in detail the nature and function of the business/trade (E-1) or of the investment (E-2) and the extent of the principal Jordan national's participation in the business/trade (E-1) or in the investment (E-2). The letter should: <ul style="list-style-type: none"> • Be on the current company/employer's letterhead. • Be with an original signature from an authorized company representative. • Be addressed to the Visa Office, Department of State. • Contain a statement of unequivocal intent that the applicant will depart the US when E-1 or E-2 status ends. 	Yes	Yes
Form DS-156	Complete one Form DS-156, which is the Nonimmigrant Visa Application.	Yes	Yes
Form DS-156E	Complete one Form DS-156E, which is the Nonimmigrant Treaty Trader Investor Application.	Yes	Yes
Form DS-157	Complete one Form DS-157, which is the Supplemental Nonimmigrant Visa Application. This only applies to all male applicants between the ages of 16 and 45.	Yes	Yes
Photo	One photograph stapled or glued to the DS-156 in the designated space.	Yes	Yes

118 The volume of trade must be sufficient to provide employment for a number of people in the US and must constitute the majority of the trader's international trade. Applies to both businessmen as well as their employees.

119 A significant investment in a US business in which the Jordanian investor has at least a %50 ownership. The investment must be sufficient to provide employment for a number of people in the US and must be in an active US business.

120 WorkPermit.com (2018), "US E2 Treaty Investor Visa for investors and Employees," available at <http://workpermit.com/immigration/united-states-america/e-2-treaty-investor-visa>

Passport	A passport valid for travel to the US and valid at least six months beyond the visa application date (including Visa Office processing time).	Yes	Yes
Form I-94	The original or a certified copy of Form I-94, Arrival-Departure Record annotated by the Department of Homeland Security inspector from the most recent admission to the US.	Yes	Yes
Courier	A prepaid courier service airbill and envelope or a self-addressed stamped envelope for return of the passport and other documents.	Yes	Yes
Form I-765	A spouse of an E-1 or E-2 visa holder can work with an employment authorization document. Spouses must file an I-765 application with a regional service center along with proof of the spouse's visa status.	Yes	Yes

Source: Siskind, G. (2018)

Please Note that both E-1 and E-2 applicants can submit a variety of other documents demonstrating that an investment or trade between the US and Jordan is substantial. It is therefore advised to consult with an immigration lawyer.

Tip 6.1

The US Department of State's Bureau of Consular Affairs provides a clear overview of applicable fees, number of entries, and validity period per visa classification for Jordanian nationals.

Disclaimer: Visa applications need to be judged on a case-by-case basis. The information in this Guide is provided as guidelines and AmCham-Jordan is not responsible for incorrect or inaccurate visa applications. It is therefore advised to consult with an immigration lawyer.

6.1.2 Immigrant Visa

Individuals looking to apply for an US immigrant visa or "green card" are typically subject to strict quotas that restrict the number of individuals looking to immigrate to the US. These quotas are set on an annual basis though certain types of individuals, most notably individuals who are immediate relative of US citizens, are exempted from these quotas. Holders of an US immigrant visa may qualify for US citizenship within five years. Applications for this type of visa may be made at the US embassy in Jordan or at a consulate in the US. ¹²¹

¹²¹ BKD International Tax Services Division (2017), "(2017 Business & Taxation Guide to the United States," available at <https://www.bkd.com/docs/service/tax/BusinessTaxationGuide-US.pdf>

6.2 Per State

The US federal Government holds the majority of the responsibility and power when it comes to immigration grants and applications. Each of the four states holds multiple USCIS branch offices while each has varying state level laws enacted for immigrants. California and Illinois hold the most robust offering of specific state laws/regulations, while Michigan and New York mostly hold the federal laws as their general state laws. States mostly vary to the application of the E-Verify system, which is an online system that allows businesses to determine the eligibility of their employees to work in the US.¹²² Nevertheless, the four states largely follow regulations solely from the federal level

6.2.1 California

- E-Verify Requirements – The California E-Verify Law restricts the use of E-Verify in the state. The state has prohibited municipalities, counties, and other Government state entities from requiring mandatory E-Verify ordinances that apply to private companies, As a result, private companies are not required to use E-Verify, yet they can still process it voluntarily.¹²³

6.2.2 Illinois

- E-Verify Requirements – Illinois, through the Illinois E-Verify Law, recently prohibited the requirement of private company use of the E-Verify system until accuracy and timeline issues are resolved. Additional legislation establishes privacy and anti-discrimination protections for employees if the employers participating in E-Verify don't follow the program's procedures. Public agencies are similarly prohibited from using E-Verify.¹²⁴

6.2.3 Michigan

- E-Verify Requirements – Michigan does not currently have legislation in place requiring the use of E-Verify by either state Governmental agencies or private employers.¹²⁵

6.2.4 New York

- E-Verify Requirements – New York does not impose E-Verify requirements on any private company or public agency.¹²⁶

¹²² US Citizenship and Immigration Services (2018), "E-Verify," available at <https://www.uscis.gov/e-verify>

¹²³ FindLaw.com (2018), "State Immigration Laws," available at <http://immigration.findlaw.com/immigration-laws-and-resources/state-immigration-laws.html>

¹²⁴ Ibid

¹²⁵ Ibid

¹²⁶ Ibid

Useful Sources

BKD International Tax Services Division (2017), "2017 Business & Taxation Guide

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07

**LEGAL
ASPECTS**

7 Legal Aspects

The US Government is defined and controlled by the US Constitution, which is the supreme law of the country. The Constitution divides the powers of Government between the federal Government and the 50 states.¹²⁷ The Federal government has power to regulate virtually every aspect of the manufacture and transportation of any good that may enter the flow of interstate commerce. Any power not specifically granted to the federal Government is reserved to the states, although the federal law generally takes precedence in some cases of conflict. Businesses also are subject to local municipal laws and must therefore consider the regulations of three separate jurisdictions—federal, state, and municipal—when obtaining their license, setting up, and carrying out their functions.

The federal Government exercises its powers through three independent branches: executive, legislative, and judicial. In addition, many federal agencies have regulatory powers over specific industries or activities. Some examples are the Food and Drug Administration (FDA), the Federal Trade Commission (FTC), and the Environmental Protection Agency (EPA), all of which have the power to establish regulations to ensure business practices meet certain minimum standards. All federal, state, and agency laws and regulations are subject to judicial review, which is exercised if an individual or business entity to which the statute has been applied brings a lawsuit to contest its validity. The judicial courts are divided into separate state and federal systems, each of which has original jurisdiction over its own particular body of law.

Each state has a separate Government, established under its own constitution, and enacts the laws which apply within its own borders. Among other areas, state statutes govern criminal acts, marriage, business, incorporation, education, and the testamentary transfer of property. Each state Government is divided into legislative, judicial, and executive branches. State courts are only empowered to adjudicate those disputes that involve their own state law. No state court or Government has jurisdiction to dictate to the courts or Government of another state.

7.1 Federal

Legal Business Structures

The laws of the US recognize several forms of business entities, including the following, which could be of interest to the foreign investor. Each is subject to the laws of the 50 states or the District of Columbia. Please refer to Section 2 for more detailed information about the (dis)advantages of the various legal business structures and how to apply and to Section 5 for more detailed information on the taxation rates per legal business structure.

Corporation – A corporation is a legal entity separate from the shareholders / owners who create it. Because a corporation is an independent entity, its shareholders are not generally liable for corporate debts. Other benefits to the shareholder include the ease with which ownership in the corporation may be transferred, through sale or gift of corporate stock and a centralized form of management for corporate business. A board of directors elected by the shareholders governs corporate business. The board may be of any size but usually

¹²⁷ BKD International Tax Services Division (2017), "(2017 Business & Taxation Guide to the United States," available at <https://www.bkd.com/docs/service/tax/BusinessTaxationGuide-US.pdf>

must contain at least three members, except in the case of some closely held corporations. Corporate officers, who are selected by the board of directors, manage operational activities.

Joint Venture – A joint venture is a general term used to describe a relationship between parties who agree to work together in a common enterprise. In some states, a joint venture is a separate legal entity. In most states, however, joint ventures are governed under the partnership and contract laws of the state in which they originated, although joint ventures are generally structurally more informal than partnerships. A joint venture may exist between two or more corporations, partnerships, trusts, individuals, or any combination of each.

Partnership – A partnership is a contractual agreement between two or more individuals or business entities. The Uniform Partnership Act and the Uniform Limited Partnership Act, adopted by most states, set out the requirements for creation of a partnership and establish the rights and liabilities of the partners. Since a partnership is merely a formal agreement between two or more parties, there is great flexibility as to the nature and form of the proposed organization.

Division of partnership profits and losses is made according to the terms of the partnership agreement. No minimum capital contribution is required, and it is not unusual for one partner to contribute capital and another to contribute only his/her services.

Two types of partnerships exist: general and limited. Every general partner is jointly and severally liable for partnership debts, while limited partners are not liable beyond the extent of their capital contribution to the partnership. A limited partnership must have at least one general partner whose liability is unlimited and one limited partner whose liability is limited. Limited partnership agreements must generally be recorded with the local Government office where the partnership was formed. Limited partnership interests are ordinarily acquired for investment purposes, and the holders of such interests have little or no participation in the management of the partnership business.

Limited liability partnerships (LLPs) are general partnerships that afford limited protection for partners from liability caused by acts of the other partners. LLPs are designed for physicians, lawyers and other professionals who are licensed to practice their professions in one of the 50 states. The terms professional association (PA) and professional society (PS) may be used in certain states and are generally interchangeable.

S corporations, which in many respects are taxed similarly to partnerships, are not available as investment vehicles for non-resident aliens or foreign corporations.

Limited Liability Company – Limited liability companies (LLCs) are hybrid entities combining features of partnerships and corporations. They enjoy the tax advantages of partnerships unless they elect to be taxed as corporations. However, like corporations, the investors in an LLC are generally not personally liable for the debts of the LLC. Although LLCs are still a relatively new concept in the US, some uncertainty still exists regarding all of their tax and legal implications, they are gaining wide acceptance in the business community.

Sole Proprietorship – A sole proprietorship is a business, usually small, and owned and operated by a single individual. The management and control in a sole proprietorship stems entirely from the owner or his designated agent. The liability of the owner is both unshared

and unlimited; consequently, available credit for the business is directly tied to the owner's personal wealth. Profits of the business are taxed directly to the owner. Any individual, regardless of citizenship and residency, who has the capacity to contract, i.e., who is not underage or suffering from a disability, may be a sole proprietor. The proprietorship terminates upon the death or disability of its owner.

Labor Laws

The National Labor Relations Act, the primary source of federal labor law policy, guarantees an employee the right to form, join, or assist labor organizations, bargain collectively with the employer and engage in concerted activity for the purpose of collective bargaining or mutual aid and protection.

The federal Government establishes the minimum wage rate payable to an employee. In addition, federal law sets the normal work week at 40 hours. Employees working in excess of 40 hours per week must be compensated at least one and one-half times their normal wage rate. Exception is made for those employed in executive, administrative, and professional capacities. Establishment of the terms, conditions, or privileges of employment, including the decision to hire and the setting of compensation, on the basis of race, sex, religion, or national origin, is prohibited by federal law. In addition, both federal and state Governments extensively regulate health and safety conditions in the workplace.

Protection of Intellectual Property

Intellectual property rights protect various aspects of intellectual activity in the industrial, scientific, literary, and artistic fields.¹²⁸ Intellectual property rights typically come in four forms. Intellectual property rights are considered "property" in that they have the legal basis to exclude others from using the property. These property rights must be acquired, maintained, accounted for, valued, monitored, and managed in order to extract their full value while the ownership of these intellectual property rights is transferable.

Patents and copyrights are regulated almost exclusively by federal law while protection of trade secrets is a matter of state law. Both federal and state laws regulate trademarks and service marks.

A new and unique product or process may be patented. A patent granted by the US Patent and Trademark Office (USPTO) assures the inventor the right to exclude others from the unauthorized duplication or use of the product. The patent lasts for 17 years. US patent laws apply to both residents and non-residents of the US. Obtaining a patent is often complicated, costly and time-consuming.

¹²⁸ The Canadian Trade Commissioner Service (2011), "Step-by-Step Guide to Exporting," available at <http://www.exportt.co.tt/sites/default/files/StepbyStepGuidetoExporting-20%2011Canada.pdf>

Table 7.1 Most common methods of intellectual property rights

Intellectual Property Right	Description	Marking
Trade-Mark	Branding and goodwill.	"®" (registered), "TM" (trade-mark) or "SM" (service-mark).
Patent	Technology and improvements therein.	"Patent Applied For" or "Patent Pending".
Copyright	Original forms of creative works and their expressions.	"©".
Industrial Design	The shape, configuration, and/or look of a product.	"D" in a circle.

Source: *The Canadian Trade Commissioner Service (2011)*

Foreign trademarks or trade names can be registered and protected in the US under existing US treaties with foreign nations. Once the trademark or trade name is registered, it is protected for renewable periods.

Copyright protection is obtained by publishing the work with the prescribed statutory notice of copyright affixed to each copy. Two copies also must be filed with the US Copyright Office in Washington DC. Every copyright remains in effect for at least 28 years and has a right of renewal. Copyright protection is granted to foreign citizens only if the foreign author is domiciled in the US at the time of the work's first publication. The US is party to several international copyright treaties whereby copyright protection is extended to any alien whose native country grants reciprocal rights to US citizens.

Whether patentable or not, trade secrets are protected by the US judicial system, but the injured party bears a substantial burden of proof in regard to the origin of the trade secret. State judicial remedies are usually limited to the granting of an injunction against the use of the trade secret by other parties.

Accounting & Auditing

State and federal laws do not generally have specific requirements for the maintenance of books and records. However, federal income tax laws require tax returns of business entities to adequately reflect income. Accordingly, the use of inventories at the beginning and end of each year is required in every case where the production, purchase, or sale of merchandise is an income-producing factor.

Publicly held companies, banks, brokers, dealers, insurance companies, and the various utility companies are governed by statutes and subject to more specific requirements. Basic financial statements include balance sheets, statements of income (profit and loss), statements of retained earnings, and statements of cash flows, together with disclosures on accounting principles followed and other matters.

The basic accounting principles used in the financial statements are referred to as generally accepted accounting principles (GAAP). These principles are the result of pronouncements issued by various standard-setting accounting boards. The Financial Accounting Standards

Board (FASB) is currently authorized to promulgate such principles after studying and evaluating the accounting question. In general, significant departures from generally accepted accounting and reporting principles must be disclosed in the auditor's report.

Financial report responsibility rests with the management of the enterprise. In general, all publicly held companies are required to have their annual financial statements audited by independent auditors. Many other enterprises with shareholders other than management, or requiring financing from financial institutions, have their financial statements audited annually by a certified public accountant (CPA). In addition to audits, CPA firms perform reviews and compilations of financial statements and provide tax, management consulting and business advisory services.

7.2 Per State

Legal Business Structures

As mentioned in 7.1, the laws of the US recognize several forms of business entities, including corporations, joint ventures, partnerships, limited liability companies, and sole proprietorships, which are of interest to foreign investors. Each is subject to the laws of the 50 states or the District of Columbia.

Partnership Formation – The legal status and rights of all US partnerships are similar across the country. Because the principles governing corporate formation are derived from state rather than federal law, the requirements and restrictions on partnership formation vary from state to state.

Limited Liability Company – The terms of the articles of formation and the operating agreement are supplemented in many states by state law, which contains both mandatory and elective provisions relating to LLC operations. Mandatory statutes will override any contrary provision in the articles of formation or the LLC operating agreement, and elective provisions often govern those categories or rights upon which the articles of formation or LLC operating agreement is silent, so some degree of familiarity with the laws of the state of formation is desirable for the prospective members.

Labor Laws & Wages

The federal Government establishes the minimum wage rate payable to an employee. This equals \$7.25 per hour and is effective as of July 24, 2009.¹²⁹ The federal Government's Fair Labor Standards Act (FLSA) stipulates this minimum wage and its conditions. The federal law also sets the normal work week at 40 hours. In addition, both federal and state Governments extensively regulate health and safety conditions in the workplace. Many states also have their own minimum wage laws. In cases where an employee is subject to both the state and federal minimum wage laws, the employee is entitled to the higher of the two minimum wages.

Protection of Intellectual Property

Patents and copyrights are regulated almost exclusively by federal law. Protection of trade secrets is a matter of state law. Both federal and state laws regulate trademarks and service marks.

¹²⁹ US Department of Labor (2018) "Minimum Wage," available at <https://www.dol.gov/general/topic/wages/minimumwage>

A typical roadmap to seeking intellectual property protection in the US is as follows:

1. Get a basic understanding of the US' intellectual property rules and laws.
2. Evaluate your intellectual property assets and their value as they may become important in case of partnership agreements, merges, and joint ventures.
3. Design a strategy on how the company's intellectual property can support realizing certain business targets and goals.
4. Conduct research into potential US competitors, partners, and markets while anticipating on changes in the marketplace and avoiding possible infringement.
5. Look for professional advice (e.g. intellectual property specialists, lawyers, patent agents, or trade-mark agents) to formally protection the company's intellectual property.
6. Mark the services' materials according to the intellectual property right.
7. Prevent from infringement or try to remedy actual infringement by negotiating a settlement rather than complex, resource-intensive, and time-consuming intellectual property litigation.¹³⁰

Tip 7.1

One or multiple national intellectual property offices regulate a country's intellectual property system and register intellectual property rights. In Jordan, several institutions are responsible for administering the national intellectual property system. These include:

- Copyright Office under the Ministry of Culture's Department of the National Library.
- Industrial Property Office under the Ministry of Industry and Trade's Industrial Property Protection Directorate.

A common mistake is that exporting companies assume their domestic (i.e. Jordan) intellectual property rights protect them worldwide. However, intellectual property rights are geographically bound. This means they are recognized and enforceable only within the country or region where they were granted. It is therefore advisable to contact the following US intellectual property offices:

- Copyright Office under the Library of Congress.
- United States Patent and Trademark Office (USPTO) under the Department of Commerce.

Source: The Canadian Trade Commissioner Service (2011) and World Intellectual Property Organization (2018)

¹³⁰ The Canadian Trade Commissioner Service (2011), "Step-by-Step Guide to Exporting," available at <http://www.exporth.co.tt/sites/default/files/StepbyStepGuidetoExporting-20%2011Canada.pdf>

Insurance

Business insurance compliment protection provided by legal business structures to ensure both personal assets and business assets are fully protected from unexpected events. Business with employees are required by the federal Government to have workers' compensation, unemployment, and disability insurance. Additional insurance typically comes in several formats:¹³¹

- General liability insurance – Covers against financial loss due to bodily injury, property damage, medical expenses, libel, slander, defending lawsuits, and settlement bonds or judgments.
- Product liability insurance – Covers against financial loss due to a defective product causing injury or bodily harm.
- Professional liability insurance – Covers against financial loss due to malpractice, errors, and negligence.
- Commercial property insurance – Covers against loss and damage of company property as a result of a wide variety of events (e.g. fire, smoke, wind and hail storms, civil disobedience and vandalism).
- Home-based business insurance – Covers against liability for third-party injuries and for a small amount of business equipment.
- Business owner's policy – Typically bundles a number of previous coverage options.

Accounting & Auditing

Federal income tax laws require tax returns of business entities to adequately reflect income. Accordingly, the use of inventories at the beginning and end of each year is required in every case where the production, purchase or sale of merchandise is an income-producing factor. Corporate entities should maintain books and records the State and federal laws do not generally have specific requirements and each company is free to use the accounting system that best suits its needs.

The due dates of annual reports depend on the state and type of incorporation.

Corporate Taxes & Social Charges

Income tax planning is an important part of US investment strategy. The complex and far-reaching provisions of the Internal Revenue Code, under which all federal taxes are levied, call for careful consideration of the income tax consequences of any proposed investment in order for the investor to obtain the maximum return. Taxes are also imposed by state and local Governments, differing in every jurisdiction.

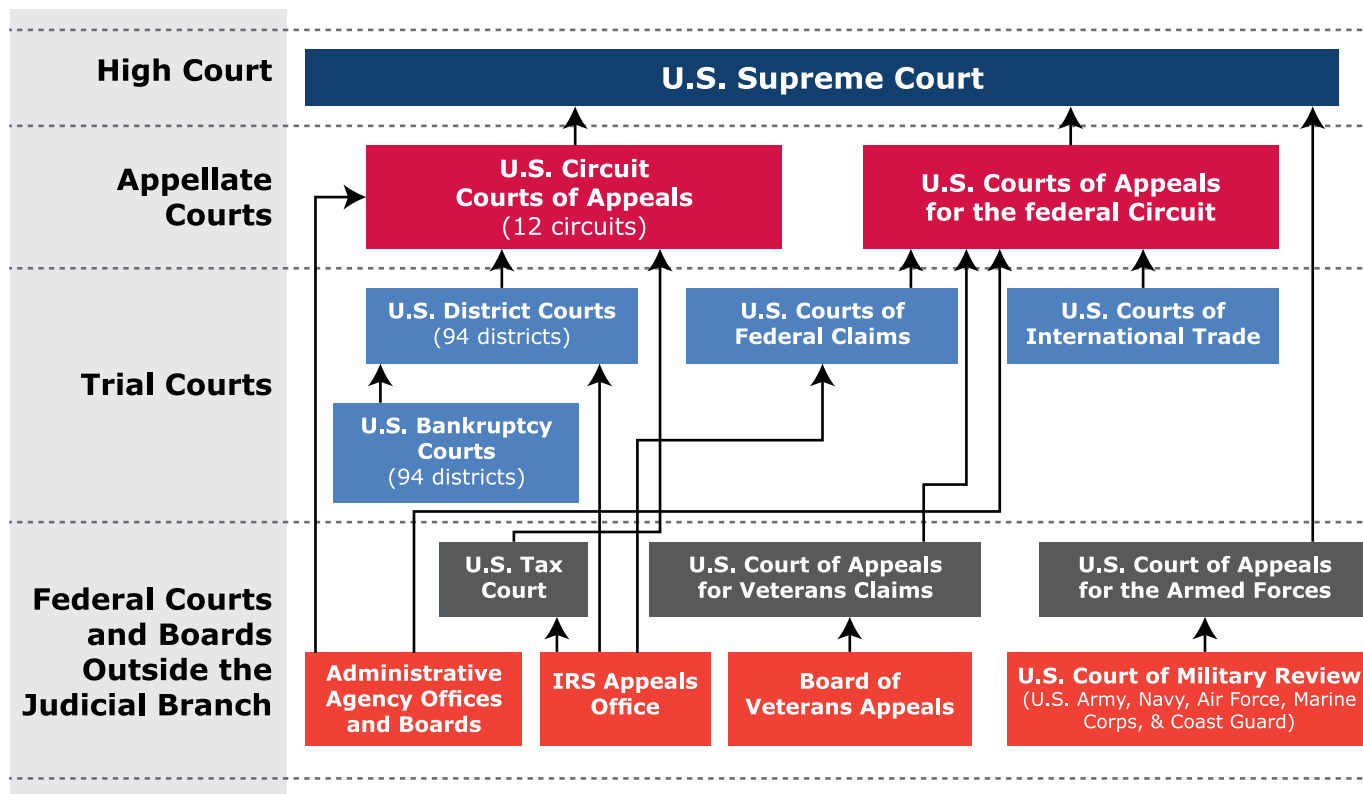
¹³¹ Small Business Administration (2018), "Get business insurance," available at <https://www.sba.gov/business-guide/launch/get-business-insurance-assets-liability>

US Court System

The US Constitution is the supreme law governing the US, defining the foundation of a federal system in which power is shared between the federal Government and the Government of the 50 individual states. As a consequence, both the federal Government and state Governments have their own court systems. Depending on the dispute or crime, some cases end up in the federal courts and some end up in state courts. The federal court system consists of the following types of courts:

- Supreme Court – The highest court in the US, regulated by Article III of the US Constitution.
- Court of Appeal – A total of 13 appellate courts (12 regional circuits of courts of appeals and one federal court of appeal) that sit below the US Supreme Court. The 94 federal judicial districts are organized into 12 regional circuits, each of which has a court of appeals. The key task of the appellate court, which consists of three judges but no jury, is to determine whether or not the law was applied correctly in the district court.
- District Court – A total of 94 district courts and one bankruptcy court that have the responsibility to resolve disputes by determining the facts and applying legal principles to decide who is right. District courts are made up of the district judge, who tries the case, and a jury that decides the case. Two special district courts exist:
 - o The Court of International Trade, which addresses cases involving international trade and customs laws.
 - o The Court of Federal Claims, which deals with most claims for money damages against the U.S. government.

The federal courts hear cases related to the constitutionality of a law, laws and treaties of the US, ambassadors and public ministers, disputes between states, admiralty law, bankruptcy, and habeas corpus issues (i.e. unlawful detention or imprisonment). State courts, on the other hand, deal with criminal cases, contract cases, tort cases (e.g. personal injuries), and family law (e.g. marriages, divorces, adoptions). State courts are the final arbiters of state laws and constitutions. Their interpretation of federal laws or the US Constitution may be appealed to the US Supreme Court. The Supreme Court may choose to hear or not to hear such cases.



Source: United States Courts (2018) and Gonzaga University – School of Law (2016)

Checklist

- Are you aware of the liabilities of the different legal business structures?
- Are you aware of the types of insurance that can protect your business?
- Have you consulted with a lawyer to obtain the most recent legal advice as to insurance and liability?
- Are you aware of federal and state labor law(s) applicable to your business?
- Are you aware of federal and state accounting and auditing requirements
- Are you aware how to protect your intellectual property rights, including patent(s), trademark(s), service mark(s), copyright(s), trade secret(s), and know-how?

Useful Sources

BKD International Tax Services Division (2017), "2017 Business & Taxation Guide to the United States," available at <https://www.bkd.com/docs/service/tax/BusinessTaxationGuide-US.pdf>

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About The Tijara Coalition

Established in 2001, the Tijara Coalition is an alliance of key Jordanian business chambers and associations together with government agencies dedicated to promoting

bilateral trade and investment through enhancing the opportunities of the U.S.-Jordan Free Trade Agreement (JUSFTA).

The successful conclusion of its 2004-2007 Tijara Strategy was instrumental in supporting the implementation of JUSFTA.

In 2008, Members decided to revamp "Tijara" to give it a more focused agenda within the following areas of activities:

- Serve as a platform for dialogue and exchange of ideas.
- Conduct broad-based awareness and information campaigns.
- Represent the interests and concerns of Tijara members through effective advocacy.
- Establish linkages with U.S. based trade and investment institutions.
- Facilitate the development and delivery of capacity building activities.

Over the past years, the coalition was dormant, due to; the smooth progressive implementation of the JUSFTA.

At the same time, Jordan's trade liberalization policy of entering into both bilateral and regional free trade arrangements with key trading partners, including the EU and Canada, next to the GAFTA, contributed to focusing business's export efforts on neighboring markets, as well as to lack of specific resources being dedicated to support the initiative's growth activities.

Today, the continued regional unrest and the spillover effect that has had on Jordan's traditional export markets of Iraq, Syria, Yemen and Libya, has placed urgency on the businesses community and government to act to better utilize the potentials and opportunities available to them as a result of the unique economic relations between Jordan and the U.S. supported by the free trade and investment treaties.

With support from the USAID Jordan Competiveness Program, the Tijara Coalition was relaunched in 2017, under the patronage of the Minister of Industry, Trade and Supply and the Chargé d'Affaires of the U.S. Embassy in Jordan.

Tijara Coalition sets the platform for joint work to unlock the benefits embodied within the legal instruments in force between the two trading partners, with a view to creating a competitive and enabling environment that encourages two-way investments, exports and employment generation.



**The American Chamber
of Commerce in Jordan**

AmCham-Jordan is a member of the United States Chamber of Commerce. Established in 1999 as a voluntary not-for-profit member-based organization that contributes to economic development through the promotion of US-Jordan trade and investment development, policy advocacy, human resources development and business community outreach.



**U.S. - Jordan
Free Trade Agreement Unit**

Based at AmCham-Jordan, the **Free Trade Agreement (FTA) Unit** was established in 2017 with support from the United States Agency for International Development's (USAID) Jordan Competitiveness Program (JCP). The FTA Unit services as Secretariat to the National Tijara Coalition serving Jordanian and American businesses to better understand and utilize the trade and investment opportunities made available under the JUSFTA and the BIT.