

3. If you open your **own office** in the United States, start small and keep overhead to a minimum. In many municipalities, low occupancy rates in office buildings have made it easier for businesses to negotiate good lease terms. Equipment leasing is usually inexpensive compared with Canada and allows you to "expense as you go." Be sure to consult with a good corporate attorney (the local Consulate can provide names) for advice about the relative merits and costs of doing business in the United States, as you will have to apply for a business licence and begin to remit the applicable taxes.

4. If you choose to enter into a **partnership** with a U.S. firm, sharing offices with them will give you an immediate local corporate profile and allow you to economize on office overhead costs. Your partner can also help you with business licence and taxation registration information.

There are several business activities a Canadian firm can undertake in the United States *without* registering their business. These include offering a free information seminar and making sales calls.

In general, you can gain professional standing in the United States without registering or securing an Employer Information Number (EIN). The professional licensing process is usually handled by a licensing body and is independent of any business requirements that your firm may face. You can also conduct some business development activities in the United States without registering, although these efforts are likely to be most successful if you have some form of local credibility.

However, if you obtain business in the United States, you are required to have an EIN for contract and tax purposes. As well, if you establish a business in a state, you are required to register in that state.

1. To register your business:

A) APPLY FOR AN EIN

An EIN is the single number used by a business to file reports and pay taxes. The EIN can be obtained quickly by contacting the Internal Revenue Service in Philadelphia at (215) 961-3980 or (215) 961-3770. Generally your customers will request your EIN when contracting for work or processing invoices.

B) OBTAIN AN APPLICATION OF AUTHORITY

You should obtain an application of authority from the Secretary of State for each state in which you plan to have an establishment. This application of authority provides legal standing in the state for your business. In filing, attach the certificate of existence that you already have for your Canadian operations. An application of authority can generally be obtained

within two weeks and costs about \$200. The Secretary of State's offices can also provide information on other aspects of registering in the state.

2. To handle your tax liabilities:

You will need to regularly remit corporate income taxes and payroll taxes for any U.S. employees, including federal and state income taxes and the following social security taxes:

A) FEDERAL INSURANCE CONTRIBUTIONS ACT AND SELF-EMPLOYMENT CONTRIBUTIONS ACT

Under the Federal Insurance Contributions Act (FICA), a social security tax of 15.3 per cent (which includes a Medicare tax) is imposed on wages or salaries received by individual employees to fund retirement benefits paid by the federal government. Generally, FICA is calculated on wages paid to either a resident or non-resident of the United States for work performed in the United States. Half of this tax is withheld from the employee's wages and half is paid by the employer.

Under the Self-Employment Contributions Act (SECA), a self-employed person is subject to a SECA tax, in place of the FICA, of 15.3 per cent (which includes a Medicare tax) computed on the individual's U.S. income tax return. Self-employed individuals pay the entire tax but may deduct 50 per cent as a trade or business expense as part of their U.S. income tax filing.

For 1992, the maximum social security tax for a U.S. employee is around US\$5300, an amount far in excess of the parallel Canada Pension Plan (CPP) limit of around \$700. To alleviate this burden, the Canadian government has reached a Totalization Agreement