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## Country Profile: United States

## The Facts

Location	North America, bordering both the North Atlantic Ocean and the North Pacific Ocean, between Canada and Mexico
Languages	English – 82.1% Spanish – 10.7% Other Indo-European – 3.8% Asian and Pacific island – 2.7% Others – 0.7% note: the US has no official national language, but English has acquired official status in 28 of the 50 states; Hawaiian is an official language in the state of Hawaii
Nationality	American
Religions	Protestant – 51.3% Roman Catholic – 23.9% Others or none – 24.8%
Government	Constitution-based federal republic; strong democratic tradition
Head of Government	President
Legislature	Bicameral Congress
Constitutional Document	The Constitution of the United States
Economy	The U.S. economy is the world largest national economy and the world's second largest overall economy. The U.S. is one of the world's wealthiest nations, with abundant natural resources, a well-developed infrastructure, and high productivity. Major industries are highly diversified: world-leading, high-technology innovator; petroleum; steel; motor vehicles; aerospace; telecommunications; chemicals; electronics; food processing; consumer goods; lumber; mining, etc.
Currency	United States Dollar (USD)
GDP (2012)	Total – USD 15,684.75 billion Per capita – USD 49,922 Real GDP growth – 2.2%
Population	316,668,600 (approx.)
Percentage of population	White – 79.96% Black – 12.85% Asian – 4.43% Others – 2.2%
Area	9,826,675 km <sup>2</sup>
Time zone	AST (UTC-4), EST (UTC-5), EDT (UTC-4), CST (UTC-6), CDT (UTC-5), MST (UTC-7), MDT (UTC-6), PST (UTC-8), PDT (UTC-7), AKST (UTC-9), AKDT (UTC-8), HAST (UTC-10), HADT (UTC-9), SST (UTC-11), SDT (UTC-10), CHST (UTC+10)
Public Holidays	11
Climate	Mostly temperate, but tropical in Hawaii and Florida, arctic in Alaska, semiarid in the great plains west of the Mississippi River, and arid in the Great Basin of the southwest.



Sources: Central Intelligence Agency, International Monetary Fund, Wikipedia

## United States

The United States is the world's largest economy with a GDP of over USD 15 trillion and a population and consumer market of more than 310 million people. The U.S. is a thriving market with a stable economic, political, and legal structure that offers a wealth of opportunities for foreign companies and investors.

The United States has entered into free trade agreements with 20 other countries, providing access to over 415 million customers for U.S. goods and services. Foreign Direct Investment (FDI) into the United States has been an important factor in the U.S. economy for a number of years, with FDI totaling USD 1.7 trillion over the last ten years. Though investment hit a low of USD 64 billion in 2003, it surged to an historical peak of USD 328 billion in 2008. FDI continues to be strong with investments of USD 194 billion in 2010. At present, relatively few countries account for most of the investment in the United States. In fact, 84% of FDI in the U.S. in 2010 came from or through eight countries: Switzerland, the United Kingdom, Japan, France, Germany, Luxembourg, the Netherlands, and Canada. A significant portion of FDI goes to the U.S. manufacturing sector. In 2010, USD 78 billion of FDI, or 41 percent of total FDI, was spent on the manufacturing sector. Over the past 14 years, manufacturing's share of FDI has varied from a high of 81 per cent in 1998 to a low of 15 per cent in 2004, averaging 39 per cent. Other sectors that have received significant FDI over time include the wholesale and retail sector (21% in 2010) and financial-related industries (14% in 2010). Given the power of FDI as an economic engine and the quality of jobs it supports, there is great potential benefit from broadening and deepening foreign direct investment in the United States.

## The United States Business Climate

Top reasons for investing in the United States are the below:

- **The largest market in the world:** It is a critical mission for international companies, especially manufacturing companies, to locate in large markets in order to ensure the continual development of their businesses. Regardless of their base locations, manufacturers in both advanced and developing countries need to look overseas to expand their markets and ensure that their products will be positioned for sustained global success. Despite the remarkable consumption growth in China and other developing countries, the United States is still the largest single market in the world. By GDP converted to purchasing power, the U.S. occupies 20% of the world economy, thus demonstrating the overwhelming strength of the U.S. market.
- **Advanced technology and innovation:** Access to advanced technology also forms a solid investment foundation in the United States. The United States is well known for innovation in consolidated information and technology (IT) infrastructure, which may not readily be available in other countries. Therefore, foreign firms are increasingly considering acquiring U.S. companies for increased access to technical innovation and advanced techniques. A recent 2010 poll of Chinese enterprises conducted by the China Council for the Promotion of International Trade revealed that 60 percent of the respondents believe that the United States has a favorable investment environment due to easy access to high technologies and the availability of a rich and diversified labor pool.
- **Favorable business environment:** The U.S. economic policy generally welcomes foreign investment, viewing it as a means to promote capital formation, employment, productive capacity, and new technology. To reduce risks, companies and individuals spread their investments worldwide. The U.S. is viewed by many as the ultimate haven for preservation of capital because of its political and economic stability. Since the 1990s, foreign direct investment has increased dramatically. Outlays by foreign direct investors to acquire or to establish U.S. businesses were USD 161.5 billion in 2006, up substantially from USD 91.4 billion in 2005. Outlays in 2006 were the fourth largest recorded and the highest since 2000, when new investment was a record high of USD 335.6 billion. A key factor in this growth is the large, reasonably homogenous, and largely unfettered market available in the United States.



- **Highly educated and productive work force:** The American work force is highly educated. Forty-one percent of Americans between the ages of 25 to 64 have completed a level of education beyond high school, which is fourth among all developed countries and considerably more than the OECD average of 30%. U.S. workers are also among the world's most productive, both in the value of a worker's output per hour or over the course of a year. The more than 153 million workers in the U.S. civilian labor force are diverse, flexible in the workplace, and mobile. They have a long history of adapting to circumstances and stepping up to opportunities that present themselves. It is part of the American spirit.
- **Protecting intellectual property:** The United States is the world's leader in protecting intellectual property rights (IPR), whether patents, trademarks, copyrights, or other forms of IPR are involved. For example, about a million patent and trademark applications are received each year. Obtaining protection for these valuable business assets is simple and cost-effective. The transparent and predictable legal system resolves disputes quickly, often before significant expense is incurred. And businesses can rely on the U.S.'s comprehensive enforcement capabilities to protect their IP rights from infringement.

## Setting up a Business in United States

Accessing the U.S. marketplace is the key to success for many businesses around the world. The most effective way to reach this market is with a U.S. company, to take advantage of the world's largest, best integrated national market at the lowest tax rate. Setting up a company in the U.S. as a non-resident is simple when you have the help of team skilled in company formation, immigration, import-export, international tax, real estate and supply chain. For a foreign national with a U.S. company, it is:

- Easier to sell in the U.S. market, from a customs and tax point of view
- Access the capital markets in the U.S. for venture capital, angel investors and public markets
- Enhance the reputation of your company, both to U.S. customers and many markets overseas
- Easier to get a visa to work in the U.S. (though acceptance is NOT guaranteed!)
- Possible you can reduce your tax on U.S.-source income

As a non-resident, you will have to go through all the same steps as a resident. In the United States, you can form a Corporation or LLC in any of the 50 States or Washington DC. Some US states are more 'business-friendly' or 'international-friendly' than others, especially Delaware, Nevada and Wyoming. The steps outlined below cover the critical steps that must be addressed one way or another before a business can be launched:

- **Choose a company name:** You will need to search to ensure the name is available in your chosen state. In case the name is already occupied by other people, you may think of up to five company names before you do the search.
- **Provide a registered agent:** The registered agent is a person or company that must have a physical address in the state of formation, be available during business hours, and will accept and sign for official legal and state documents for the company.
- **Provide Names and Addresses of the People/Companies Involved (Officers, Directors, Members, etc.).**
- **Obtain a Federal Employer Identification Number:** The Federal Employer Identification Number (FEIN) also known as an 'EIN' or simply 'Tax ID Number' is a number issued by the United States Internal Revenue Service (IRS) that is somewhat like an identification number for companies. Once your company is filed by the state, we



assist you in obtaining this number from the IRS. The FEIN will be needed, for example, to opening an U.S. corporate bank.

- **Register for state and local taxes:** In addition to business taxes required by the federal government, you will have to pay some state and local taxes. Each state and locality has its own tax laws. Having knowledge of your state tax requirement can help you avoid problems and your business save money. The most common types of tax requirements for small business are income taxes and employment taxes.

## Types of Business Structures in United States

One of the decisions that a business owner has to make is what type of organizational structure their business is going to use. There are four main types of business structures in the U.S: sole proprietorship, partnership, limited liability and corporation. Each structure has different tax, income and liability implications for businesses owners and their companies:

- **Sole Proprietorship:** Sole proprietorship is the simplest organizational structure available for businesses. According to the Internal Revenue Service (IRS), it is the most common form of business in the U.S. Businesses structured as a sole proprietorship allows the owner(s) to have total control over company operations. Businesses that typically form sole proprietorships are home-based businesses, shop or retail businesses and one-person consulting firms. Owners of sole proprietor businesses are responsible for their own record keeping and paying the IRS in the form of self-employment taxes. However, this type of business provides no protection for business owners, as they can be held personally responsible for their company debt and financial obligations.
- **Partnership:** A partnership is formed when two or more people join, or partner, together to run a business. Each partner has equal share in the net profits and losses of their business. Like a sole proprietor, each partner reports their income on their personal tax return and pays self-employment taxes to the IRS. They are also personally liable for financial debt and obligations of their company and also the actions of other partners. Although partnerships can be formed through oral agreements and handshakes, written agreements can be the best option in the event of disputes or lawsuits between partners.
- **Limited Liability Company:** One of the newest organizational structures for businesses is limited liability company (LLC). The limited liability structure is considered a hybrid as limited liability companies can be formed as corporations or partnerships. LLCs can provide owners, who are commonly referred to members under this structure, the protection from liability and other obligations similar to a corporation. Limited liability companies can also be set up and managed like partnerships. The taxation of LLCs also depends on its structure. Due to its limited protection, some companies such as banks and insurance companies are restricted from being LLCs.
- **Corporations:** The most complex organizational structure for businesses is the corporation. This type of business structure separates the liabilities and obligations incurred by company operations from being the responsibility of the owners. Corporations are regulated by the laws of the state they are set up in. Unlike sole proprietor and partnership businesses, corporations are taxed as separate entities at corporate tax rates. The IRS taxes corporation owners at individual tax rates. There are two common types of corporation structures: Subchapter C and S. The different between the two subchapters stem from different tax rules. Ordinary corporations are considered Subchapter C corporations. Subchapter S corporations, unlike Subchapter C companies, can pass income and losses onto their shareholders to avoid paying federal income taxes. This prevents double taxation of corporation profits.
- **Cooperative:** A cooperative is a business or organization owned by and operated for the benefit of those using its services. Profits and earnings generated by the cooperative are distributed among the members, also known as user-owners. Typically, an elected board of directors and officers run the cooperative while regular members have voting power to control the direction of the cooperative. Members can become part of the cooperative by purchasing shares, though the amount of shares they hold does not affect the weight of their vote. Cooperatives are common in the healthcare, retail, agriculture, art and restaurant industries.

## Taxation

The U.S. tax system is set up on both a federal and state level. There are several types of taxes: income, sales, capital gains, etc. Federal and state taxes are completely separate and each has its own authority to charge taxes. The federal government doesn't have the right to interfere with state taxation. Each state has its own tax system that is separate from the other states. Within the state there may be several jurisdictions that also charge taxes. For example, counties or towns may charge their own school taxes that are in addition to state taxes. The U.S. tax system is quite complex.

Income tax is probably one of the most well known forms of taxation. If any of you earn income in the U.S. you will see the deductions on your paycheck. Every person who earns income in the U.S. is supposed to pay income tax on both the federal and state level. Federal taxes include social security and FICA. Each state also has its own form of income tax that employers also withhold from your paycheck. If you earn over a certain amount, USD 6,750, you must file both federal and state taxes before April 15th of each year. For more information on federal taxes, go to <http://www.irs.gov>.

Another form of tax that you will need to know is sales tax. This is the tax that is charged on your purchases, such as if you buy a pack of gum. Sales tax is a state tax and varies from state to state as well as within the state. For example, NY State Sales Tax is 7% and NJ is 3%, but Albany has 8% sales tax while Syracuse has only 7%. Within the state, municipalities have the right to raise the sales tax above the state limit. There are also other rules surrounding sales tax, such as which items are taxed and which are not. For example, in NY gum is taxed, but milk is not. In NJ food is taxed, but clothes are not. As you can see the tax system in this country is quite complex.

Corporations are a separate legal entity and are subject to corporate tax on taxable income. Corporate tax rates are different from personal tax rates. Corporate earnings are subject to double taxation. What this means is that corporations pay taxes on their earnings and then with after tax income they pay stockholders dividends, which are subject to capital gains tax. The dividends must be reported on the stockholders personal tax form and are taxed at capital gains tax rates. This is what is commonly called double taxation.

## Investment Incentives in United States

Foreign companies considering investing in the United States often are confronted with a maze of legal, financial, and fiscal complications, including their first exposure to the U.S. tax system. The tax code includes incentives designed to encourage capital formation, attract foreign investment, and reduce the federal and state tax burdens of those qualifying for the incentives. For maximum benefit, a foreign investor should have advanced knowledge of these incentives to properly plan and execute their investment strategy.

The U.S. is one of many countries that offer incentives for so-called 'greenfield' investments that create new production capacity and jobs, transfer technology and know-how, or lead to linkages to the global marketplace. Greenfield investments can include expansions or new facilities and often qualify for subsidized loans and other tax incentives from the federal, state, and local governments.

The federal government provides financial and managerial assistance to small businesses through the Small Business Administration (SBA). A small business is defined as one that is independently owned and operated and is not dominant in its field. The SBA offers a variety of loan programs to eligible small business concerns that are unable to borrow on reasonable terms from conventional lenders. Qualifying standards for small business loans are set by the agency for each industry. The amount of SBA guarantees and direct loans available is set annually by Congress. The SBA may not make or guarantee a loan if a business can obtain funds on reasonable terms from a bank or private source. A borrower, therefore, must first seek private financing before applying to the SBA. The SBA also licenses, regulates, and provides financial assistance to privately owned and operated small business investment companies. These firms make venture or risk investments by supplying equity capital and extending unsecured loans or loans not fully collateralized to small enterprises, thus enabling those small firms to boost employment. SBA loans are available to foreign-owned companies that have incorporated in the U.S.

## Immigration and Visa Requirements

If you want to work in the U.S. temporarily as a nonimmigrant, under U.S. immigration law, you need a specific visa based on the type of work you will be doing. Most temporary worker categories require that the applicant's prospective employer or agent to file a petition which must be approved by the U.S. Citizenship and Immigration Services (USCIS) before you can apply for a visa. To learn about petitions and more, see Temporary Workers and Employers-Hiring a Foreign National for Short-Term Employment on the USCIS website. More information by temporary worker visa type:

- Foreign nationals with extraordinary ability in Sciences, Arts, Education, Business or Athletics (O visas)
- International cultural exchange visitors (Q visas)
- Intra-company transferees (L visas)
- Performing athletes, artists, entertainers (P visas)
- Specialty occupations in fields requiring highly specialized knowledge (H-1B)
- Temporary agricultural workers (H-2A)
- Temporary workers performing other services or labor of a temporary or seasonal nature (H-2B)
- Training in a program not primarily for employment (H-3)
- Crewmembers (D visa)
- Foreign Media, Press, and Radio (I visa)
- Religious Workers (R visa)
- Treaty Traders & Treaty Investors (E visa)

Important temporary worker information: Review the Internal Revenue Service website information about United States tax requirements for certain foreign citizens engaged in business or trade in the U.S., since most will have an obligation to file a U.S. tax return.

## Banking Requirements

Depending on the structure of your business, the following documents will be required to open an account online.

- **Sole Proprietorship:**
  1. Social Security Number or Business Tax Identification Number
  2. Business License showing both business and owner's name, or
  3. Business name filing document, such as a Fictitious Name Certificate or Certificate of Trade Name, showing both business and owner's name
- **General Partnership:**
  1. Business Tax Identification Number
  2. Partnership Agreement showing business name and name of partners, and
  3. Business name filing document, such as Fictitious Name Certificate or Certificate of Trade Name, showing business name and name of partners
- **Limited Liability Partnership:**
  1. Business Tax Identification Number
  2. Limited Liability Partnership Agreement showing business name and name of partners, and
  3. Business organizing document filed with and certified by state official, such as Certificate of Limited Liability Partnership, showing business name and name of partners
- **Corporation:**
  1. Business Tax Identification Number
  2. Articles of Incorporation or Certificate of Incorporation
  3. Corporate Resolution identifying authorized signers if officer names are not listed on Articles of Incorporation or Certificate of Incorporation

## Reference

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Central Intelligence Agency	<a href="https://www.cia.gov">www.cia.gov</a>
C.A.S.E	<a href="https://www.invest-in-usa.org/business-in-the-usa/why-invest-in-the-usa">www.invest-in-usa.org/business-in-the-usa/why-invest-in-the-usa</a>
International Monetary Fund	<a href="https://www.imf.org">www.imf.org</a>
Snavi	<a href="https://www.snavi.com/en/tips/us_market/why_invest_in_us.html">www.snavi.com/en/tips/us_market/why_invest_in_us.html</a>
KPMG	<a href="https://www.kpmg.com/ru/en/services/nationaldesk/china-practice/documents/investment-in-china.pdf">www.kpmg.com/ru/en/services/nationaldesk/china-practice/documents/investment-in-china.pdf</a> <a href="https://www.kpmg.com/cn/en/IssuesAndInsights/ArticlesPublications/Documents/Invest-in-the-US-guide-for-Chinese-Companies-O-201102.pdf">www.kpmg.com/cn/en/IssuesAndInsights/ArticlesPublications/Documents/Invest-in-the-US-guide-for-Chinese-Companies-O-201102.pdf</a>
USA Corporate Services Inc.	<a href="https://www.usa-corporate.com/setting-up-a-us-company-as-a-non-resident">www.usa-corporate.com/setting-up-a-us-company-as-a-non-resident</a>
My New Company	<a href="https://www.mynewcompany.com/international.htm#step3">www.mynewcompany.com/international.htm#step3</a>
SBA	<a href="https://www.sba.gov">www.sba.gov</a>
Travel.State.Gov	<a href="https://travel.state.gov/visa/temp/types/types_1275.html">travel.state.gov/visa/temp/types/types_1275.html</a>
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