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Nellie Akalp • Dec. 23, 2019



Many of your clients may be wondering about incorporating their businesses in a different state from where they are based. It's true that doing so may save new businesses a bit of precious startup capital when it comes to filing fees. For example, filing fees in California costs a business \$100, while in Florida, the cost is \$35. But, filing fees are not the only consideration when it comes to deciding where to incorporate. The cost, tax regulations, and laws affecting corporations vary from state to state, making some states more desirable places than others for small business owners to incorporate. Here's what you need to know to help your client make the best decision for them.

For example, Delaware is a highly preferred state in which to incorporate, because it

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corporation (one that's incorporated outside California, in this case, in Delaware).

The regulations that may require a small business to register as a foreign corporation vary from state to state. They could include having employees in another state, advertising in another state or having an actual physical presence in a state—known as having nexus or “sufficient physical presence.” (In general, conducting e-commerce in another state won't require you to register as a foreign corporation unless you also have a physical location or an employee there.) You or your client needs to check with each state's registration office or Secretary of State's office to find out their specific requirements.

A business can get foreign qualification by filing a Certificate of Authority (sometimes referred to as a Statement & Designation by a Foreign Corporation) with the Secretary of State in the state where it plans to do business. The business will need to pay filing fees to the state when the incorporation documents are filed, and the corporation will also be subject to ongoing requirements and fees imposed by that state.

For example, if your client's small business is located in California but incorporated in Delaware, they will have to obtain foreign qualification in California. It will then be subject to the same fees, taxes and regulations as if it had incorporated in the California in the first place, along with the fees, taxes and regulations as the state of Delaware.

Failing to file the correct paperwork and pay the fees could result in hefty penalties and fines for the business. Total fees for incorporating or forming an LLC vary by state, but in most states, the following fees will apply:

- Initial corporation filing fee
- Corporation initial report filing fee

- Annual report filing fee

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appropriate requirements for registering their corporations, both where they do business and in any other states that may apply.

Nellie Akalp is a passionate entrepreneur, business expert and mother of four. She is the CEO of [CorpNet.com](https://corpnet.com), a trusted resource and service provider for business incorporation, LLC filings, and corporate compliance services in all 50 states. Nellie and her team recently launched a partner program for accountants, lawyers, and business professionals to help them streamline the business incorporation and compliance process for their clients.

Small Business

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