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SMALL BUSINESS

Moving a Business to a Different State

In this final Conversion Series post, we reveal what you need to know to help your clients move their businesses from one state to another.

Nellie Akalp • Oct. 31, 2022



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Your clients may have many reasons to move their businesses to another state: Better market opportunities, more prospective customers, or access to a more skilled workforce, to suggest a few. Or your client might prefer another state's small business

tax breaks or incentives given to small businesses. The reasons for moving could be personal: To be closer to extended family, cheaper housing (or cost of living), or even a better climate.

Whatever the reason, your business client may not understand that the simplicity or complexity of moving their company to another state depends on the entity's legal structure.

Sole Proprietorship and Partnerships

Moving a company to another state is relatively simple for clients running “non-entities,” such as sole proprietorships and partnerships. Sole proprietorships and partnerships do not need to register with the state when they're founded. However, they are required to terminate any current local business licenses and permits and then apply for new ones in the new state and municipality they've moved to. Your clients must also cover other business obligations, such as paying outstanding debts like sales and employment taxes.

If the sole proprietorship or partnership operates under an assumed name—doing business as (DBA)—the owner will need to withdraw the name from the Secretary of State's office. If the company owners want to use the DBA in the new state, they'll need to do a name search and reserve the name in the new state. Also, if the company's business bank doesn't have a branch in the new state, they will need to close their business accounts and find a new bank to reopen them. Finally, the Internal Revenue Service (IRS) must be informed of the business's move to ensure the Federal Tax ID or Federal Employer Identification Number (EIN) on file reflects the updated business address. Clients should use [Form 8822-B](#) to report the change of address.

And, of course, if the move is made mid-year, your client must submit tax returns in both states.

Corporations and LLCs

Because [corporations and limited liability companies](#) (LLCs) are required to register with the state in which they are founded, the process is a bit more complicated. Once your clients decide to move their corporations or LLCs to a new state, they have two options. They can either 1) dissolve the company in their former state and file to reform it in the new state, or 2) keep the original state as the company's home state and file for a foreign qualification in the new state.

Filing for foreign qualification makes sense if your client still plans to do business in both the state they left and the state they're moving to. If so, your client must contact the new state's Secretary of State Office to understand the correct process for foreign qualification. Typically, your clients can register online or by mail for a Certificate of Authority and pay the appropriate fees. Some states require proof that the company is in good standing in its home state, which means it complies with incorporation protocol and has paid its taxes.

Your client will need to provide details about the company, such as the corporation's name, list of corporate officers, the domestic state, stock information (e.g., number of shares authorized, etc.), the local mailing address, and the registered agent. Registered agents are people or companies with the authority to accept service of process (legal documents and government notices) on behalf of a company.

However, if your client does not plan to conduct business in the original state, it makes more sense for them to permanently close the business there and then register a new corporation or LLC in their new state. Although closing-a-business protocols vary by state, most states require the following:

- All board members in a corporation or LLC must agree to the closure and move to another state. Also, the agreement should be recorded in the meeting minutes and signed by all parties.
- Incorporated entities must also file a "Certificate of Termination" or "Articles of Dissolution" with the Secretary of State. Again, before a state dissolves a company, the business must be in good standing.
- The corporation or LLC must also pay all debts belonging to the company, and any remaining assets must be distributed to the members/owners. How the LLC files its taxes determines if taxes are due on the distributed assets.

Once the company has permanently been closed in the previous state, the business owners must re-register in the new state by reserving a business name, filing Articles of Incorporation, and acquiring the required business licenses and permits.

Statutory Conversion or Domestication

Another alternative for changing a company's state of formation is through a statutory transaction called a conversion or domestication; however, not all states offer this option.

Conversion/domestication (also referred to as redomestication) relieves the entity from having to start over and form a new LLC or corporation in its new state. After the business completes the conversion/domestication process, it no longer exists in the previous state.

In the states that allow redomestication, the process is straightforward. Companies apply for conversion/domestication in the new state by submitting Articles of Domestication—or Articles of Continuance. Typically, the company must provide a Certificate of Good Standing from the original state of formation and a copy of the Articles of Dissolution form from the old state. Once redomestication has been approved by the new state, the company dissolves the business in the old state by filing Articles of Dissolution.

States allowing domestication include:

- Arizona
- California
- Colorado
- Delaware
- District of Columbia
- Florida
- Idaho
- Indiana
- Kansas
- Kentucky
- Louisiana
- Massachusetts
- Maine
- Mississippi
- Nebraska
- New Hampshire
- New Jersey
- Nevada
- Pennsylvania
- South Carolina
- South Dakota
- Texas
- Utah
- Virginia

- Washington
- Wisconsin
- Wyoming

Payroll Requirements

In most cases, whenever a business employs workers in a state, the employer is required to register the company with that state's department of finance and unemployment office. Employers must abide by the rules and regulations covering employees in every state where that worker earns money for the company, even if the business is not physically located in the state. Payroll tax responsibilities include reporting employee income tax to the state and contributing to payroll taxes, such as Social Security and Medicare. Every state also requires employers to contribute to the state's Unemployment Insurance Tax (UI). UI is a federally-mandated, state-run program that provides temporary payments to unemployed workers whose employment status is not a result of their actions.

Some states have reciprocal agreements for multi-state employers. In those states, taxpayers who live in one state and work in another may file for tax exemption, which relieves them from paying taxes in both states.

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Nellie Akalp is a passionate entrepreneur, small business expert, and mother of four. She is the CEO of [CorpNet.com](https://corpnet.com), a trusted resource for Business Incorporation, LLC Filings, and Corporate Compliance Services in all 50 states. Nellie and her team recently launched a partner program for accountants, bookkeepers, CPAs, and other professionals to help streamline the business incorporation and compliance process

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