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Doing Business Across State Lines

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May 2016

Most business owners are constantly thinking of ways to expand their customer base. In the age of the Internet and cell phones it's never been easier to do business in ever-broadening geographic areas; across the state line or across the country. However, before expanding your business across state lines, you need to understand and comply with the legal requirements of each state in which you plan to do business.

Each state has its own requirements for doing business in their state. Most commonly, a business must qualify to do business in a state. This begs the question: "What does it mean to do business in a state?" If you have a physical presence in the state you will probably need to register with the state. A physical presence can mean having a physical location (store front or warehouse) in the state, having employees in the state, or having a lot of face-to-face contact with customers in the state. Typically, simply advertising in the state or running an Internet based business that attracts customers from a state is not "doing business" in a way that would require registration.

Registering to do business in a state gives the state a way to contact you if it needs to and subjects you to the jurisdiction of the state. If you are not registered but should be, you may be assessed fines, penalties and interest for noncompliance with state law; you may not be able to sue in that state; and you may lose the protection a corporation or limited liability company provides.

In addition to registering your business, different states have different laws governing what types of activities need to be specially licensed. For example Michigan requires residential builders be licensed, other states do not. It's important to know what is required for your specific type of business.

Finally, doing business in another state may subject your company to taxes in that state. With 50 different states with 50 different sets of laws, expanding your business across state lines is not simply a matter of just "doing business." You need to be sure you are in compliance with the laws of every state in which you do business - not an easy task.