

On Your Terms Episode 57:

Moving: What you need to do to register your business in another state

Sam Vander Wielen: [00:00:11] Hey there, and welcome back to On Your Terms. I'm Sam Vander Wielein. I am so excited that you're here today. How's your listening to this episode? I'm actually in Texas. Actually, I'm about to head to Texas to go to the Podcast Movement Conference. So, I'm so excited about that.

Sam Vander Wielen: [00:00:25] If you haven't gone back and listened to my episode back in - let's see - Episode 54, all about my recap from the ConvertKit Craft+Commerce Conference, which was, like, totally mind blowing and changed so many things I'm doing in my own business, I hope you go back and listen to it.

Sam Vander Wielen: [00:00:41] And if you like that kind of recap of a conference, let me know. Make sure you send me a message because I would love to do it about the Podcast Movement Conference as well. So, the Podcast Movement Conference is, obviously, all about podcast. So, I'd be happy to bring back everything that I learned from these. I'm really excited about it. I'm so excited about what I'm going to learn.

Sam Vander Wielen: [00:01:02] So, today is my favorite kind of podcast episode because it's short and sweet, and I'm really helping those of you who are moving or thinking about moving and you have a business. Whether you already have registered a business or you're thinking about it but you're not sure what to do now because you know you're going to move, today's episode is perfect for you.

Sam Vander Wielen: [00:01:21] Because, really, you have two options. And I just break them down real simply and I give you

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all of the questions that you need to ask, not only yourself, but a CPA. Like, word for word, I would get on a notebook. I would write down these questions that I give you today and I would just ask your CPA and it's going to become much clearer what you need to do to register your business if you're moving.

Sam Vander Wielen: [00:01:43] The other reason I love this episode is because I'm drinking coffee with you in the morning and it's quiet, and I just like sitting down and chatting with you. I can't believe I've had the podcast for a little over a year now. This is Episode 57. I have had so much fun doing this. I hope that you're enjoying the podcast too.

Sam Vander Wielen: [00:01:59] I was actually writing something to my email list yesterday reminding people that, you know, sometimes we listen to things - and I do this all the time - we listen to people's podcast or YouTube channels or watch their content all the time, and we don't ever say anything. And I think sometimes people take it for granted and they think that creators just know it or they must hear it from someone else and all of that.

Sam Vander Wielen: [00:02:23] I hear from so many people that they like the podcast. Of course, we also get, not from the podcast, but we get mini-heads who respond to emails and things too, it's part of the job. It's not okay, but it's part of the job. But I think it's important, not just for patting someone's ego, but what I really love hearing from you is like what you're liking, what you want to hear more of, what you wish I would talk about, all that kind of stuff.

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Sam Vander Wielen: [00:02:49] So, just don't take it for granted. Don't think like somebody else must be telling us or something like that because it's so helpful for me to hear, "I want to create content, I want to create episodes, I want to write things that are helpful to you." And that's where this episode even came from is because I get so many questions from people about moving, so we decided to do this episode. So, I hope for those of you who have reached out and you've asked questions about moving in the past, you're happy that we're doing this.

Sam Vander Wielen: [00:03:15] So, if you ever have questions, you want me to talk about something about legally protecting your business, something more in the marketing side of your online business, of course, I'm happy to dive into it. And with that, I just hope you enjoy this episode and I hope this clarifies any questions that you have about moving your business. So, let's dive in.

Sam Vander Wielen: [00:03:38] Moving. So, I know all about moving because, actually, when you're listening to this episode, it's exactly a year since I moved to New York from Philadelphia. And I don't want to do it again for a while. Besides all the packing and all the cleaning and the furniture and the furniture delays - I'm still waiting on some furniture - is actually the legal stuff. I'm with you, it is annoying. It's annoying.

Sam Vander Wielen: [00:04:04] But, luckily, I know exactly what to do so I can help you with that today. And this is a question that I get so often, and even more so in the last couple of years, probably, since people have been moving so much. And

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since people have been going, you know, like nomadic, and maybe you want to learn about where to house your business, if you're going to be moving around, or if you're going to be traveling overseas or living overseas. Today's episode is for you if you're just moving from one state to another in America. And so, I'm hoping to just make it real simple for you. This is not actually as complicated as it might feel right now, but it's going to be okay, I swear.

Sam Vander Wielen: [00:04:45] So, the problem here is that if people are moving, one of the things that comes up is that they'll say like, "I know I'm moving in the future so I'm not going to register my business." And I'm like, "Oh, I don't love that unless you know that you're moving, like, tomorrow or in a couple of weeks." I don't know, I don't want to give you a hard and fast limit, but very, very soon.

Sam Vander Wielen: [00:05:06] But if you aren't moving for a while or if it's just one of those things where you're like, "I know I'm going to move but I don't know when," I don't like not registering your business somewhere because, until then, you're operating without legal protection. So, that doesn't feel good to me. And, also, once you hear the steps that I'm going to walk you through today, you might say, "Okay. It's worth it then."

Sam Vander Wielen: [00:05:30] So, like most things in business, most things in legal, it's really important that you consider all of the things I'm going to tell you today, and then you decide. A lot of times people look to me and be like, "What am I supposed to do?" They're looking for this perfect answer, this right answer. Oftentimes, there's not necessarily a perfect or

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right answer when it comes to legally protecting your business. It's often how much risk are you willing to put out there. You'll kind of see what I mean as we're talking about how to register your business if you're going to move today.

Sam Vander Wielen: [00:06:04] The other thing, the other issue that we can run into here is like, if you leave your original business in your original state, let's say, you are living in Oklahoma now and then you move to New York. And that you just moved to New York and you never update anything.

Sam Vander Wielen: [00:06:22] That's not good either because, first of all, the amount of time you leave your business registered and open in Oklahoma, you have to pay taxes on that on the income you made while your business was housed there. If you've moved to New York, ever since you've been living in New York and operating your business out of New York, you have to pay taxes there. So, you really want to take care of this kind of swiftly so you cut off what you owe in your old state and start fresh with what you owe in your new state.

Sam Vander Wielen: [00:06:50] And just technically speaking from a legal and tax perspective, if you're operating your business from whatever state, that is the state that your business needs to be registered in. And your business can be registered in multiple states, that's okay too. But it has to be registered in these other states if you're running your business out of it.

Sam Vander Wielen: [00:07:08] I'm not talking about if you're housed in Oklahoma but you work with clients in California, that's not what I'm talking about. I'm talking about - what we

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used to call - the butt in the seat. Like, if your butt is in the seat in California and that's where you're sitting on your computer and that's where you're working on your business from, then your business needs to be registered there. So, that's really what we're talking about.

Sam Vander Wielen: [00:07:31] Okay. So, I just moved and so I'm going to use some of my experience as an example here. Just to give you some backstory, so I lived right outside of Philadelphia in New Jersey. And so, I had originally an LLC formed in New Jersey back in 2016, 2017. And then, I think maybe a year or two later, I filed to file my taxes as an S-Corp.

Sam Vander Wielen: [00:07:58] So, I've talked about this before, but S-Corp is not a different business entity type. It's just a taxation status. And so, I was still an LLC, but instead of electing to be taxes and individual who owned an LLC, I elected to be taxed as an S-Corp on both level with the IRS and with the State of New Jersey. So, that's what I was when I was ready to move.

Sam Vander Wielen: [00:08:21] Fast forward, I moved to New York several years later in 2021, I guess it was. I moved to New York and I want to become an LLC there and an S-Corp that files as an LLC right away. Because my business is making money and I want to make sure that I'm legally protected but I also want to make sure tax-wise I'm saving as much as humanly possible. So, that was kind of my situation, and I'll work that in as a little bit of an example as we're going through how to move today.

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Sam Vander Wielen: [00:08:52] Okay. So, let's start out by talking to those of you who have already registered your business, wherever you live, and now you're going to move somewhere else. So, you already have a sole proprietorship or you already have an LLC in whatever state that you currently live in, but now you're going to move to another state. When that's the case, you essentially have two options.

Sam Vander Wielen: [00:09:14] The first is that you can - what's called - wind down or dissolve your entity in State Number 1. So, when I say State 1, I'll refer to that as where you currently live or where it's currently registered. So, you can wind down or dissolve your entity in State 1 and then register your business in State 2 as a new LLC or a new sole proprietorship, whatever you are. That's the first option.

Sam Vander Wielen: [00:09:41] Let's go over the pros and cons of that option. So, the pros, I think, are pretty straightforward. It's a nice and clean way of doing it. I like doing that when you're not moving back to State Number 1. Like, you're done with State Number 1. You're never going back there - no. I'm just kidding. But it's not something that's temporary or something like that. Like, you're not going to live in California for six months and coming back to your home state or whatever.

Sam Vander Wielen: [00:10:06] This is like a permanent move. You're not going back. You don't have many ties to that old state. This would also be great if the state that you're moving to has better tax advantages or business advantages for you than the previous state. So, it's a nice and clean way of doing it. Like, you don't have to worry about dual filing, filing taxes in

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your old state, and filing taxes in your new state, finding a CPA who understands that, all that kind of stuff. So, it's like less tax filings nice and clean.

Sam Vander Wielen: [00:10:37] The cons are that it's annoying. One time when I was 13, my mother banned me from using the phrase annoying because I was saying it about everything. But I often find that it's the best description of a lot of situations, and this is one of them. It's annoying. This is what I just did, so the process that I just described to you, I was moving permanently - when I say permanently, I don't mean that you have to commit to living to this new state for the rest of your life. But for right now, that's where you think you're going.

Sam Vander Wielen: [00:11:08] So, I permanently moved from New Jersey to New York, and there was no reason to keep my business open in New Jersey. I didn't have a house there. I wasn't going to be performing any business activities there. So, from a legal perspective, there's no requirement, so I dissolved my entity in New Jersey. But you don't do that, by the way, until you file the new one. So, I filed the new LLC in New York. I made sure that successfully went through. Then, as soon as that went through, I dissolved and wound down the New Jersey entity.

Sam Vander Wielen: [00:11:40] That is actually as simple as filing a form. So, I wound the New Jersey entity down. You can literally Google your state's name, dissolved LLC or dissolved sole proprietorship, or whatever you have, and usually there's just an online form. In New Jersey, it was super easy. So, I did that only after the New York LLC had gone through. Once the New

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York LLC went through, then I could take the next step to file to pay taxes in S-Corp. So, it's kind of all done in a process because they're like building blocks and you need one to do the next. So, you have to be an LLC first in order to file taxes as an S-Corp.

Sam Vander Wielen: [00:12:17] And that is a process, by the way, that you do with a CPA only. You never ever, ever do the S-Corp process by yourself. It's very complicated. It's also extremely time consuming, frustrating, and overwhelming so I would not do it yourself. You should work with a CPA to do that.

Sam Vander Wielen: [00:12:33] So, for me, the cons really are that, of just having to go through all those steps, the paperwork, the fees, the little fees that add up. It's time consuming. I would lean on a professional as much as you can.

Sam Vander Wielen: [00:12:46] Obviously, in the Ultimate Bundle, I teach you about things like this. I teach you about filing LLCs and I teach you about getting an EIN if you need to get a new one, all of those things. So, we talk about this a lot and we talk a lot about in the community that comes with the Ultimate Bundle, people post questions all the time about moving. So, you have the ability to ask questions but you also have access to all these past questions as well.

Sam Vander Wielen: [00:13:13] Have you ever felt lost about where to begin with the legal side of protecting your online business? Some people say you can just wing it at the beginning and get officially set up later. Not a good idea, by the way. Whether you're afraid to even start working with clients because

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you don't want to do something wrong legally and then get in trouble or your business is growing and you sort of forgot to take care of the legal pieces, I've got you.

Sam Vander Wielen: [00:13:34] I don't want you to live in fear of the internet police coming after you and your business. But you do have to do certain things and get certain things in place in order to legally and safely run your business online. As much as it just feels like an unregulated Wild Wild West online, that is very much not the case.

Sam Vander Wielen: [00:13:52] As an attorney turned entrepreneur and former corporate litigator, I can assure you that there are rules. There are real steps that everybody who runs or starts an online business needs to take. And you're not behind at all. We can get you set up and following the rules right away. In fact, we can even do it today.

Sam Vander Wielen: [00:14:08] I want to teach you the five very simple steps to take to legally protect and grow your online business. You don't need an MBA to be a successful entrepreneur and stay out of legal hot water. But you do need to dot your legal i's and cross your t's in a few key areas that can't be skipped. That's exactly what I'll teach you in my free one hour legal workshop called Five Steps to Legally Protect and Grow Your Online Business. Just head to mylegalworkshop.com, drop in your email address, pick the time, and I'll send you a link to watch the workshop video whenever you have time.

Sam Vander Wielen: [00:14:38] This is the best place to begin if you're just getting started legally legitimizing your business,

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so head on over to mylegalworkshop.com and sign up to watch Five Steps to Legally Protect and Grow Your Online Business now.

Sam Vander Wielen: [00:14:53] All right. So, if that was option number one, then what is your other option? Is there a less annoying option? Well, let's go over option number two. Option number two, if you already have registered your business but you're moving to a new state is to leave your business in State 1, registered like normal, just like it is right now. And then, register your business as what's called a foreign entity in State Number 2.

Sam Vander Wielen: [00:15:16] Yes. You can have your business registered in more than one place. And, no, the term foreign does not refer to outside of America. So, when you see in states when you go to register your business and you see it says, "Are you trying to register a domestic entity or a foreign entity?" It's very confusing because domestic means it sound like domestic U.S. That's not what they mean.

Sam Vander Wielen: [00:15:38] Domestic and foreign when you're registering your business on the state level refers to in-state or out-of-state. So, domestic means in-state. So, if you were going to register an LLC in California and it says, "Do you want to register a domestic LLC?" that means you want to register an LLC that's housed and based primarily in California.

Sam Vander Wielen: [00:16:00] If you saw it says, "Do you want to register an LLC in California as a foreign entity?" what that means is saying to California, "I have registered my business in another state and I'm also trying to register it here, but it's

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second in line here. So, my business is primarily housed in some other state but I like California to recognize that my business is also operating out of this state."

Sam Vander Wielen: [00:16:29] So, that's why option number two - I'll just repeat it - is leaving your business in State Number 1, registered like normal, and then registering your business as what's called a foreign entity in State Number 2 because you're saying to State Number 2, "I already have registered my business in another state and I'm keeping it there, but I also need you to recognize that I've registered it here and that I want it registered here."

Sam Vander Wielen: [00:16:52] So, if you had a domestic LLC in New York because that's where you lived, but you're moving to California, you could register your LLC as a foreign entity, a foreign LLC in California. That's just under option number two.

Sam Vander Wielen: [00:17:07] Now, of course, this option also has its pros and cons. I guess the pro is, like, not having to wind down and start new accounts and all that kind of stuff, and less filing, and less time consuming probably. But the big con to me is all the tax stuff. So, you still have to file taxes in both of those states. So, you'd file in State 1 and State 2. You'd have to keep up with annual fees.

Sam Vander Wielen: [00:17:35] You have to be able to get your mail for both of these locations. So, if you don't have a place to get your mail - I guess, I couldn't really see this being, not a viable option, but the best option - unless you truly were split, you know, if you split your time between LA and New York

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or something, maybe that's an option. But otherwise, I don't know who exactly this would be a great fit for.

Sam Vander Wielen: [00:18:00] These are kind of the options that I would talk through with your CPA. The reason I wanted to do this episode for you is just to give you kind of a foundational starting point for your conversation so that you understand what your two options are and what some of the basic and cons are for them.

Sam Vander Wielen: [00:18:17] And then, you could take this to your CPA and be like, "Okay. I know that my options are either that I wind down and register like new in my next state. Or, I leave my business here and I register as a foreign entity in my new state. Can you explain to me what the tax implications are of those two scenarios?" That's what I would say.

Sam Vander Wielen: [00:18:37] What are my tax liabilities in both of those cases? Do I have to file taxes in both states? What does that look like? How does that work with business revenue? If I'm living in State Number 2 and making most of my money there, how does that work with taxes? What if we're reporting to State Number 1? Those are the kinds of questions that I would be asking. I would ask if there were any tax advantages to doing it that way.

Sam Vander Wielen: [00:19:01] And I would also ask if either of those states have any sorts of tax advantages that would make the decision much simpler for me. Like, should I leave my business in one of these states or not move it or move it

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because one of them has big tax advantages. That's what I would be asking.

Sam Vander Wielen: [00:19:20] Okay. So, I also want to give you a couple of questions if you're moving and you're not sure what to do. If you're moving within the U.S., I want you to ask yourself three questions. One, is this move permanent? You've heard me talk about that a lot. So, is this permanent? Is this something that's temporary? That's going to influence the decision.

Sam Vander Wielen: [00:19:42] Two, is there a financial or legal incentive to keeping my business in a state where I don't live? Now, that might be a question that you're asking a CPA. I don't necessarily expect you to know the answer to that.

Sam Vander Wielen: [00:19:55] Three, the same thing for an accountant. What are the financial or tax implications for both options for me? So, I would ask those three questions. Well, number one to yourself. And two and three to, probably, your CPA. And I think that will help you come clearly to a decision.

Sam Vander Wielen: [00:20:12] I also wanted to address any of you who are moving overseas or who are American expats or, a lot of times, I have military spouses or people who are moving around, I have a couple of questions for you that you can ask yourself about registering your business here in the U.S. even if you're not living here in the U.S. because you're American but you're just not living here.

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Sam Vander Wielen: [00:20:33] So, if you're moving overseas, do you have a home base somewhere here in America? Maybe a family member still lives here somewhere. Do you have an apartment that you keep here? Like, your sister lives here, whatever. Do you have a home base? Because that might be somewhere that you could register your business.

Sam Vander Wielen: [00:20:51] You also want to ask yourself if you have somewhere to receive mail, because that's going to be a requirement of wherever you end up registering. So, unless, you pick a state that's okay with you registering using a P.O. Box, you're going to need a physical address. So, that's something to consider when deciding is there a state where I can house my business even if I'm not living here.

Sam Vander Wielen: [00:20:51] The third thing - and this often is just like the overall summary of where people end up registering their businesses if they're an expat living overseas - where are you filing your taxes in the U.S.? Because you still have to file taxes until you give up citizenship. So, wherever you're filing your taxes would seem to make sense to me to be the place to house your business if you could. Again, another thing I would talk to your CPA about, for sure.

Sam Vander Wielen: [00:21:37] Okay. So, I hope that these were helpful. I hope that you send me a DM on Instagram, @samvanderwielen, and let me know if this episode was helpful. If you have any questions about moving, I'm happy to help. And if you think that one of your friends might have moved recently or is moving would benefit from this episode, just go ahead and

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text it to them really quickly, all it takes is one sec. And it's really helpful to the show to let people know.

Sam Vander Wielen: [00:22:03] Thank you so much for listening. And I can't wait to chat with you next week.

Sam Vander Wielen: [00:22:09] Thanks so much for listening to the On Your Terms podcast. Make sure to follow on Apple Podcasts, Spotify, or wherever you like to listen to podcasts. You can also check out all of our podcast episodes, show notes, links, and more at samvanderwielen.com/podcast.

Sam Vander Wielen: [00:22:23] You can learn more about legally protecting your business and take my free legal workshop, Five Steps to Legally Protect and Grow Your Online Business, at samvanderwielen.com. And to stay connected and follow along, follow me on Instagram, @samvanderwielen, and send me a DM to say hi.

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