



THE FLORES GROUP

BUSINESS & TAX ADVISORS

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Introduction

A foreign entity doing business or investing in the USA must register with the local state authorities in order to be lawfully doing business in the state. In addition, it must register with the federal tax authorities (IRS) in order to get proper tax registrations and numbers. There are many legal and tax implications in both the federal and state level if you are not properly registered. We recommend you obtain advice from a qualified attorney or advisor to help you understand your obligations and responsibility.

Foreign Entities - Defined

A foreign entity is defined as an entity formed under the laws of a jurisdiction other than Texas. It must register with the Secretary of State and obtain a Certificate of Authority.

A foreign company does not necessarily mean that it is from another country. If an entity was formed under the laws of any jurisdiction other than Texas, the organization is a “foreign entity.” It is a foreign company if your company was formed in another state and is doing business in another state where it was not formed. For example, a company that was formed in Texas is a foreign company in California. In general, if you have an office, a store, a warehouse, or employees in another state, you will need to qualify your entity as a foreign company in that state.

Registration Requirements

A foreign entity is required to register to do business in Texas if it intends to do business in the State of Texas. No foreign corporation or company shall have the right to transact business in this State until it shall have procured a certificate of authority so to do from the Secretary of State. Section 9.001(a) of the Texas Business Organizations Code (“TBOC”) requires that in order to transact business in the State of Texas, a foreign entity must register if the entity is:

- Foreign corporations;
- Foreign limited partnerships;
- Foreign limited liability partnerships;
- Foreign limited liability companies;
- Foreign business trusts;
- Foreign real estate investment trusts;
- Foreign cooperatives;

- Foreign public or private limited companies;
- any other foreign entity that, if formed in Texas, would be formed as a corporation, limited partnership, limited liability company, professional association, cooperative, or real estate investment trust; and
- Any other foreign entity that affords limited liability under the law of its jurisdiction of formation for any owner or member.

Failure to Register – Legal Risks

If you are not registered in Texas, you cannot bring a lawsuit in any of the state's courts or will not be able to defend the entity in the action, suite, or proceeding. Moreover, you will be subject to a civil penalty equal to all the fees and taxes you should have paid if it were registered plus additional penalties, interest, and late filing fees. The Attorney General may bring suit to recover amounts due to the State of Texas under the Texas Business Organizations Code.

Furthermore, such entities are also subject to state franchise tax and federal income tax on certain income. If you made or received a payment during the calendar year as a small business, you are required to file an information return to the Internal Revenue Service (IRS).

Conclusion

If you have any further questions or concerns on whether your company is in compliance with all state and federal regulations, please do not hesitate to contact us.

Firm Profile

The Flores Group provides international law and tax advisory to international investors and business persons. We have over 30 years of experience dealing with complex business and international structures and transactions. We have experienced bilingual Attorneys and CPA's to assist you with your legal, tax, and business projects.

This information is a presentation of the general rules and should not be used or relied upon for any particular investment or transaction. We recommend you consult your tax attorney or advisor for your specific situation. If you would like more information on these matters we would be glad to visit with you.

As required by United States Treasury Regulations, you should be aware that this communication is not intended or written by the sender to be used, and it cannot be used, by any recipient for the purpose of avoiding penalties that may be imposed on the recipient under United States federal tax laws.

Click here to visit our website for more information: [Flores](#)

SUBJECT: Foreign Corporations Doing Business in Texas

Group

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