

Once you've made the decision to expand your business into the United States, you'll need to begin the process of hiring local talent to ensure that your company gets a great start in the new market. Before you can hire any employees, however, you'll have to set up a locally compliant payroll.

Taxation Rules in the United States

The rules for taxation in the U.S. can vary from one state to another. In addition to state tax, you'll need to be mindful of federal tax no matter where you are in the country. The U.S. has seven different federal income tax brackets based on income. The lowest rate is 10%, while the highest is 37%. As the employer, it's up to you to withhold the federal income tax from your employees' wages and forward that money to the government.

U.S. Payroll Options for Companies

When it comes to setting up payroll in the United States, your company has a few options. You can:

- Work with a local company for payroll administration: If you choose this option, you'll need to register your company in the U.S. and establish yourself as the Employer of Record. Compliance is ultimately your responsibility, but your U.S. payroll processing company will take care of the administrative duties like calculations and payments.
- Handle payroll through your own subsidiary: Large companies sometimes decide to establish a subsidiary in the U.S. and run payroll internally. This option requires a significant investment of time and resources for understanding and complying with all the local taxation and payroll laws.
- Partner with a global PEO: This option will enable you to outsource the burdens of payroll and employment. The PEO will act as your Employer of Record, so it will be up to them to take care of the payroll and compliance.

How to Set Up a Payroll in the U.S.

If you choose to set a payroll up and manage it yourself, you'll need to start by establishing a subsidiary in the U.S. To comply with federal tax laws, you'll need to obtain an Employer

Identification Number (EIN) when you register your subsidiary.

Payroll tax is state-based, so the process of setting up payroll will vary based on which state you register your business in.

Entitlement/Termination Terms

Most of the U.S. operates under at-will employment, which means your company can terminate an employee at any time for any reason as long as the reason is legal. A few illegal reasons for termination include race and disability.

In the U.S., there are relatively few entitlements and termination terms that you should be aware of from a legal standpoint. There's no requirement for companies to grant severance pay to employees upon termination, though many businesses do offer it based on length of employment. For the most part, employers can set their own terms and outline them in the employment contract.

Payroll Processing Company in the U.S.

Instead of worrying about all the different U.S. payroll options and requirements, consider partnering with a global PEO that can take care of everything on your behalf. Globalization Partners will act as your U.S. payroll processing company and ensure that you're compliant throughout your expansion. [Contact us today](#) to learn more.