

# Legal Scope

A Construction Law Newsletter by Bright Law Firm, PLLC

Advertising Material

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## Doing Business Across State Lines

Many construction companies do work across state lines. Whether it be branching out into Pennsylvania, Delaware, Maryland, or New Jersey, it is common to see contractors and subcontractors crossing state lines to work on projects.

But there are a lot of legal and regulatory considerations for doing work out of state.

**1. Licensing.** Licensing is the right to do a specific service or supply a certain good in the specific jurisdiction. Often you need a license to do work in a different state. Sometimes licensing is state-wide for contractors and subcontractors, other times it is specifically localized by county, municipality, or city. Sometimes licensing is required for specific trades—HVAC, electrical, and plumbing. And sometimes licensing is dependent on the type of project or customer served—e.g. home improvement contractors or construction on public projects. Lastly, if your work involves providing any professional design, then that too would likely require licensing consideration.

**2. Business Entity Registration.** Business entity registration, on the other hand, applies universally to all businesses, regardless of whether there is a specific license required for the work. Usually, licensing and registration are different arms of the local state government. This is because registration is usually for the purpose of tax

compliance; licensing, on the other hand, is usually for the purpose of standards of qualification. If you have a business entity (registered as a corporation or LLC or partnership, etc.), then, the state of initial registration is almost certainly your “state of incorporation.” If you then desire to work in other states, you are considered a “foreign” corporation, because your company is from its original state of incorporation. Thus, to work in a new state, your company must register as a “foreign” entity doing business in the state. Usually the business entity registration is under the branch of tax/revenue; meanwhile, licensing is under the branch of the labor department. That is not always the case, and sometimes both items might be under the same umbrella, or a subset under a specific state department (e.g. department of labor, or department of state, or department of assessment and taxation). It all depends on how the local jurisdictions organizes its departments and responsibilities.

**3. State Regulations.** Each state has different, or possibly overlapping, regulation of your work. Some states have Home Improvement laws; others have “Door-to-Door” Sales Acts. Each state has slightly different laws for contract enforcement and mechanics’ liens. And different states might have different OSHA regulations.

Expanding your business is a common idea for a growing company, and it can certainly be done. But there are many things to take into account when doing so. Always seek advice from your accountant, insurance broker/agent and legal advisor prior to making the expansion, as failure to take into account the above items could lead to fines and other problems.

## The Numbers:

### 1% to 1.25%

- The Federal Reserve’s short term interest rate.
- In June 2017, the Fed raised its rate by a quarter point.
- This was the Fed’s third rate increase since December 2016

Source(s): Board of Governors of the Federal Reserve System, Press Release: Implementation Note Issued June 14, 2017; Open Market Operations, available at <https://www.federalreserve.gov/monetarypolicy/openmarket.htm>



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