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Operating in Multiple States? Here's What Nonprofits Should Know

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As nonprofits grow, they often expand beyond their home state—through remote employees, regional programs, online fundraising, grantmaking, events, or partnerships. What many organizations don't realize is that crossing state lines may trigger a variety of registration, tax, payroll, and reporting requirements.

The challenge is that there is no one-size-fits-all answer. A nonprofit may need to register in one state, have payroll obligations in another, and charitable solicitation requirements in a third. Understanding which rules apply – and which don't – can help organizations avoid compliance surprises and unnecessary administrative costs.

Are you required to register to do business in another state?

When a nonprofit operates outside its home state, it may need to evaluate **several separate state compliance regimes.** One question is whether the organization must **foreign qualify** or otherwise register as an entity "doing business" in the state. But that is only one part of the analysis. Activities in another state may also trigger charitable solicitation registration, payroll withholding, unemployment insurance, workers' compensation, sales/use tax, unrelated business income or state income/franchise tax filings, business licenses, local taxes, or annual reporting obligations. These rules are highly state-specific and should be reviewed separately.

Key Takeaways

Having a remote employee doesn't automatically require registration.

Having a remote employee in another state does **not automatically** mean the nonprofit must foreign qualify as an entity in that state, particularly where the employee performs only administrative or back-office functions and the organization has no programs, office, property, or other in-state operations. However, a remote employee should always prompt a separate review of **employment and tax nexus.** Even if foreign qualification is not required, the organization may need to register for state payroll withholding, unemployment insurance, workers' compensation, local wage or payroll taxes, wage-and-hour compliance, paid leave programs, and other employment-law requirements in the employee's work state.

Fundraising registration and "doing business" registration are not the same.

Many nonprofits are already familiar with charitable solicitation registrations, which are required in many states before fundraising. "Solicitation" can include more than traditional direct mail or in-person fundraising. Depending on the state, it may include online donation pages, targeted digital campaigns, email solicitations, fundraising events, grant solicitations, peer-to-peer campaigns, third-party donation platforms, and follow-up communications to donors. However, these registrations are separate from business registration requirements. Depending on your activities, you may need one, both, or neither—so it's important to evaluate each independently.

The fact that an organization is registered to do business in a state does not mean it is registered to solicit charitable contributions there—and the reverse is also true.

Regular, ongoing operations may trigger registration.

Regular, ongoing operations may trigger foreign qualification or other entity registration requirements, such as maintaining a physical office, owning or leasing property, operating recurring programs or services, or having staff regularly conduct activities in the state. However, each state defines “doing business” or “transacting business” differently. Certain contracts, repeated in-state service delivery, revenue-generating activities, or employee activities may be relevant even without a formal office or owned property. Separately, a nonprofit may have tax, payroll, unemployment, workers’ compensation, or local compliance obligations in a state even if it does not need to foreign qualify there.

Don’t register “just in case.”

While it may seem safer to register proactively, doing so unnecessarily can create additional administrative burdens. These may include annual filings, state fees, reporting requirements, and expanded legal jurisdiction. Once registered, your organization is typically expected to remain compliant with that state’s ongoing requirements.

Review your organization’s footprint regularly.

As your nonprofit grows, expands programs, or shifts operations, your compliance obligations can change. Periodically evaluating where your organization operates—and how it operates in those locations—can help you stay ahead of requirements and avoid surprises.

If your organization has expanded into new states, hired remote employees, launched new programs, or increased its fundraising reach, now is a good time to review your multi-state compliance obligations.

Our nonprofit team can help you evaluate your organization’s activities and determine whether additional registrations or compliance requirements may apply. Contact the Johnson O’Connor Nonprofit Services Team to discuss your organization’s specific circumstances.

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