

# Considerations When Building A Remote-First Company

HR Brew | Kristen Parisi | June 24, 2022



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Remote workers spread across different states means more registration and regulation.

Remote life can be grand, amirite? Overhead per employee is low, employees can have actual work-life balance, and small businesses can source the best talent from all over, not just from where is immediately available. But for all the perks of a remote-first business model, there are plenty of potential compliance issues that HR leaders should have on their radar.

As businesses become more distributed, HR has to take into consideration that there are rules for expanding into specific states and localities, paying employees, and filing taxes, among other things, all of which require a lot of legwork throughout the employee lifecycle. A Gusto report released in May found that 43% of US businesses with 10–24 employees have workers who operate remotely out of state.

HR Brew spoke with an HR team-of-one and an HR process expert to understand the remote-work compliance landscape.

Endless rules. The numerous and ever-changing rules can have HR professionals spending hours navigating complex, outdated systems. As the only HR person on a team of 25 across 12 states, Christine Kerst, head of talent and culture at remote communications firm Big Valley Marketing, told HR Brew that registering in new states is "the hardest part of my job."

In most states, even remote-first companies need a physical address, and this process isn't digitized in much of the US, explained Kerst. "You can go onto a state website and start the process of registering your business as a company that does business with a certain state, but most of the process is still mail-based."

Fernanda Anzek, director of HR operations at HR solutions provider Insperity, likes to consider compliance through the lens of "the employee lifecycle." Anzek says that even the interview process, she said, can be affected by state rules. "There are different states that have different rules like the 'ban the box,'" she said, and asking illegal questions can cause an employer to incur penalties.

HELP! There's help for small HR teams navigating state systems. Kerst said that hiring a third party that specializes in business compliance has helped her stay up-to-date on the latest legislation. "They do most of the legwork. However, they cannot do all of it."

Anzek recommends that businesses consult resources such as SHRM and also consider hiring a lawyer to ensure they're compliant. "There are a lot of details and things that you need to do. And missing one of those could be detrimental from a risk perspective for your business."

Potential liabilities. When businesses are remote-first, lack a central office, and employ workers who are dispersed across many states, there's more room for error, as Kerst has learned firsthand. She said her team missed an unemployment payment when the payroll manager was out with a medical issue, and "didn't find out because the [piece of] mail telling us we missed the payment was going to that team member's home address," costing the company thousands of dollars in penalties and hours' worth of work.

States don't provide much leeway for employers to make mistakes, said Anzek. "There's not a lot of grace for 'I didn't know. I didn't realize.' As an employer, it is on you and you're making these decisions to go and work in different states." Anzek encourages clients to work with a lawyer and think carefully before hiring an employee in a new state because of the many complications that can accompany the registration process.

The bottom line: Get your ducks (or in this case states) in a row.