WMP COMPLIANCE PARTNERS

Compliance Terms in Plain English

A practical glossary for small and midsize businesses

Why this resource matters: Business, HR, payroll, and state-compliance terminology can be confusing. These short definitions are designed to help business owners understand common terms without turning the resource into a filing or compliance manual.

Important: Definitions are general. Exact requirements and terminology can vary by federal, state, local, industry, entity type, and workforce circumstances.

Business & State Compliance Terms

Business entity: A legal form used to operate a business, such as a corporation or limited liability company (LLC).

Domestic entity: A business considered “domestic” in the state where it was formed or organized.

Foreign entity: A business formed in one state but recognized as “foreign” when operating or registering in another state. “Foreign” does not necessarily mean outside the United States.

Foreign qualification: State authorization that may be required when a business formed in one state conducts business activities in another state.

Registered agent: A person or company designated to receive official legal and government documents for a business in a state.

Registered office: The in-state address associated with a registered agent for receiving official documents. Requirements vary by state.

Good standing: A state status generally indicating that a business has met certain current state maintenance requirements. It does not mean the business is compliant with every law or tax obligation.

Certificate of Good Standing: A document issued by a state showing the entity’s status as of the date issued. Some states use a different name for this document.

Certificate of Authority: A term many states use for the document or status authorizing an out-of-state business to operate as a foreign-qualified entity.

DBA / assumed name / trade name: A name a business uses that is different from its legal entity name. Registration requirements vary by jurisdiction.

State registration: A general term for registering a business or an account with a state agency when required.

Business license: Permission from a state or local government to conduct a particular business activity. Not every business needs the same licenses.

Permit: Government authorization for a specific activity, location, profession, or type of operation.

Nexus: A connection between a business and a state or locality that may create tax, registration, or other legal obligations. The test depends on the law involved.

Withdrawal: The formal end of a foreign entity’s authority to do business in a state. Requirements and consequences vary by state.

Administrative dissolution: A state action that can change or terminate an entity's active status after certain required filings, fees, or other obligations are missed.

Reinstatement: A process or status change that restores an entity after it has lost active status, when the jurisdiction allows it.

Annual Report & Entity-Maintenance Terms

Annual report: A recurring state business-entity filing used to keep certain company information current. It is not the same thing as a company's financial annual report.

Biennial report / biennial statement: A recurring business-entity filing required every two years in jurisdictions that use a biennial cycle.

Periodic report: A general term for a recurring entity filing. The name and frequency vary by state.

Statement of information: A name some states use for a recurring entity-information filing.

Anniversary date: The yearly date tied to an entity's formation or registration. Some states use it to determine recurring filing deadlines.

Entity ID / charter number: A unique number assigned by a state to identify a registered business entity.

Filing fee: A government charge associated with submitting or maintaining a business filing. Amounts vary by jurisdiction and entity type.

Delinquent status: A status that may appear when a required filing, fee, tax, or other state obligation is overdue. The meaning varies by state.

Revoked / forfeited status: Terms some jurisdictions use when an entity loses certain rights or authority because required obligations were not maintained.

HR Compliance Terms

Form I-9: The federal Employment Eligibility Verification form used by U.S. employers to verify the identity and employment authorization of employees hired for work in the United States.

E-Verify: A federal electronic system that compares information from Form I-9 with government records. Participation is voluntary for many employers but required in some circumstances.

Exempt employee: An employee who is exempt from certain Fair Labor Standards Act (FLSA) minimum-wage and/or overtime requirements because the applicable legal tests are met. A job title alone does not determine exempt status.

Nonexempt employee: An employee who is covered by applicable FLSA minimum-wage and overtime protections.

FLSA: The Fair Labor Standards Act, the federal law that establishes requirements including minimum wage, overtime, child labor, and certain recordkeeping rules.

Overtime: Additional pay generally required under the FLSA for covered nonexempt employees who work more than 40 hours in a workweek, unless a specific exception applies. State rules may be more protective.

Regular rate of pay: The rate used to calculate FLSA overtime. It may include more than an employee's basic hourly rate, depending on the types of compensation paid.

Employee classification: How a worker is categorized for legal or payroll purposes, such as employee versus independent contractor or exempt versus nonexempt.

Independent contractor: A worker who operates independently rather than as an employee under the applicable legal test. Merely calling someone a contractor does not determine status.

Reasonable accommodation: A change or adjustment that may allow a qualified individual to apply for a job, perform essential job functions, or enjoy equal employment opportunities, when required by applicable law.

Discrimination: Unlawful unfavorable treatment based on a protected characteristic under an applicable employment law.

Harassment: Unwelcome conduct that may become unlawful when it is based on a protected characteristic and meets the legal standard under applicable law.

Retaliation: Unlawful adverse treatment because someone engaged in legally protected activity, such as reporting discrimination or participating in certain investigations.

FMLA: The federal Family and Medical Leave Act, which provides eligible employees of covered employers with job-protected leave for qualifying family and medical reasons.

Job-protected leave: Leave during which applicable law protects an eligible employee’s right to return to the same or an equivalent position, subject to the law’s requirements.

Personnel record: Employment-related information maintained by an employer about an employee. Access, content, and retention requirements may vary by law and jurisdiction.

Payroll & Employment Tax Terms

EIN: Employer Identification Number - a nine-digit federal tax identification number issued by the IRS to identify an employer or other business tax account.

Form W-4: The federal Employee’s Withholding Certificate employees use to provide information that affects federal income-tax withholding from wages.

Form W-2: The Wage and Tax Statement employers generally provide to employees and file with the Social Security Administration to report annual wages and certain taxes withheld.

Form 941: The federal Employer’s Quarterly Federal Tax Return used by many employers to report federal income-tax withholding and Social Security and Medicare taxes.

Form 940: The federal Employer’s Annual Federal Unemployment (FUTA) Tax Return.

FICA: The Federal Insurance Contributions Act taxes that fund Social Security and Medicare. Employers generally withhold the employee share and pay an employer share, subject to applicable rules.

FUTA: Federal Unemployment Tax Act tax - a federal unemployment tax generally paid by the employer, not withheld from employees.

SUTA / state unemployment tax: A common informal term for state unemployment-insurance taxes or contributions. The official name and rules vary by state.

Withholding account: A state or local employer tax account used to report and remit employee taxes that the employer is required to withhold from wages.

Unemployment account: An employer account with a state unemployment agency used for unemployment-insurance reporting and contributions when required.

Gross pay: An employee’s earnings before taxes and other deductions are subtracted.

Net pay: The amount paid to an employee after applicable taxes and other deductions are taken from gross pay.

Pay period: The span of time for which employee work and earnings are calculated, such as weekly, biweekly, semimonthly, or monthly.

Pay frequency: How often employees are paid. State law may regulate how frequently certain employees must be paid.

Payroll tax deposit: A payment of employment taxes to a government agency on the required schedule.

Pre-tax deduction: A deduction that is excluded from certain taxable wages when allowed under applicable tax rules.

Post-tax deduction: A deduction taken after applicable taxes have been calculated.

Supplemental wages: Compensation paid in addition to regular wages, such as certain bonuses, commissions, or overtime, that may have specific federal withholding rules.

Taxable fringe benefit: A benefit provided to an employee that is treated as taxable compensation unless a specific tax-law exclusion applies.

Garnishment: A legally required withholding from an employee's pay to satisfy certain debts or legal obligations, subject to applicable limits and rules.

Local payroll tax: A wage- or payroll-related tax imposed by certain cities, counties, or other local jurisdictions.

Keep in mind

- The same term can have different meanings or consequences under different federal, state, and local laws.
- A business can have more than one compliance obligation at the same time - for example, an entity filing requirement, an employer registration, and a payroll-tax requirement.
- This glossary is designed to help business owners understand terminology, not to determine which requirements apply to a particular business.

WMP Compliance Partners helps small and midsize businesses understand and organize HR, payroll, state compliance, and recurring business-filing responsibilities.

Authoritative reference points

- U.S. Small Business Administration (SBA) - business registration, foreign qualification, registered agents, and ongoing state filing requirements
- Internal Revenue Service (IRS) - 2026 Publication 15, Employer's Tax Guide
- U.S. Department of Labor (DOL) - Fair Labor Standards Act and Family and Medical Leave Act resources
- U.S. Equal Employment Opportunity Commission (EEOC) - Small Business Toolbox and Glossary
- U.S. Citizenship and Immigration Services (USCIS) - Form I-9 and I-9 Central

Important: This resource is general educational information and is not legal, tax, accounting, or insurance advice. Requirements vary by jurisdiction and business circumstances.

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