

A World Bank Group Flagship Report

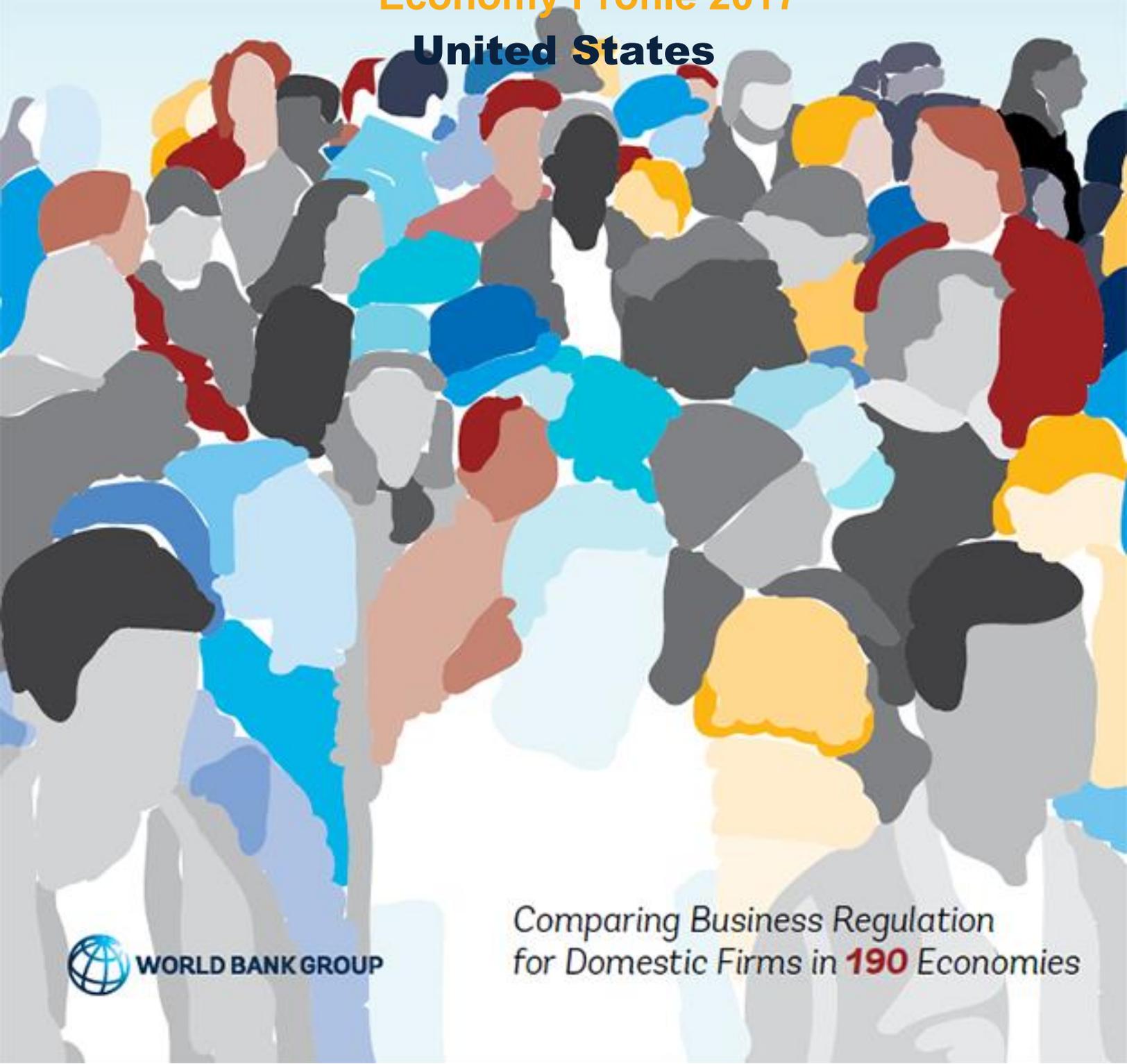
14<sup>TH</sup> EDITION

# Doing Business 2017

Equal Opportunity for All

Economy Profile 2017

**United States**



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## INTRODUCTION

*Doing Business* sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor market regulation. *Doing Business 2017* presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on labor market regulation indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business.

In a series of annual reports *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 190 economies, from Afghanistan to Zimbabwe, over time. The data set covers 48 economies in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in East Asia and the Pacific, 25 in Eastern Europe and Central Asia, 20 in the Middle East and North Africa and 8 in South Asia, as well as 32 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This economy profile presents the *Doing Business* indicators for United States. To allow useful comparison,

it also provides data for other selected economies (comparator economies) for each indicator. The data in this report are current as of June 1, 2016 (except for the paying taxes indicators, which cover the period January–December 2015).

The *Doing Business* methodology has limitations. Other areas important to business—such as an economy’s proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders and getting electricity), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions—are not directly studied by *Doing Business*. The indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policy makers in designing regulatory reform.

More information is available in the full report. *Doing Business 2017* presents the indicators, analyzes their relationship with economic outcomes and presents business regulatory reforms. The data, along with information on ordering *Doing Business 2017*, are available on the *Doing Business* website at <http://www.doingbusiness.org>.

## CHANGES IN *DOING BUSINESS 2017*

As part of a three-year update in methodology, *Doing Business 2017* expands further by adding postfiling processes to the paying taxes indicator, including a gender component in three of the indicators and developing a new pilot indicator on selling to the government. Also, for the first time this year *Doing Business* collects data on Somalia, bringing the total number of economies covered to 190.

The paying taxes indicator is expanded this year to include postfiling processes – those processes that occur after a firm complies with its regular tax obligations. These include tax refunds, tax audits and tax appeals. In particular, *Doing Business* measures the time it takes to get a value added tax (VAT) refund, deal with a simple mistake on a corporate tax return that can potentially trigger an audit and good practices with administrative appeals process.

This year's *Doing Business* report presents a gender dimension in four of the indicator sets: starting a business, registering property, enforcing contracts and labor market regulation. Three of these areas are included in the distance to frontier score and in the ease of doing business ranking, while the fourth—labor market regulation—is not.

*Doing Business* has traditionally assumed that the entrepreneurs or workers discussed in the case studies were men. This was incomplete by not reflecting correctly the *Doing Business* processes as applied to women—which in some economies may be different from the processes applied to men. Starting this year, *Doing Business* measures the starting a business process for two case scenarios: one where all entrepreneurs are men and one where all entrepreneurs are women. In economies where the processes are more onerous if the entrepreneur is a woman, *Doing Business* now counts the extra procedures applied to roughly half of the population that is female (for example, obtaining a husband's consent or gender-specific requirements for opening a personal bank account when starting a business). Within the registering property indicators, a gender component has been added to the quality of land administration index. This component measures women's ability to use, own, and transfer property according to the law. Finally, within the enforcing contracts indicator set, economies will be scored on

having equal evidentiary weight of women's testimony in court.

Also for the first time this year *Doing Business* collects data on Somalia, bringing the total number of economies covered to 190.

For more details on the changes, see the "Old and new factors covered in *Doing Business*" section in the Overview chapter starting on page 1 of the *Doing Business 2017* report. For more details on the data and methodology, please see the "Data Notes" chapter starting on page 114 of the *Doing Business 2017* report. For more details on the distance to frontier metric, please see the "Distance to frontier and ease of doing business ranking" chapter in this profile.

## THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 190 by the ease of doing business ranking. *Doing Business* presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to two decimals. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. (See the chapter on the distance to frontier and ease of doing business).

The ease of doing business ranking compares economies with one another; the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each *Doing Business* indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking can show only how much the regulatory environment has changed relative to that in other economies.

The 10 topics included in the ranking in *Doing Business 2017*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The labor market regulation indicators are not included in this year's aggregate ease of doing business ranking, but the data are presented in the economy profile.

### ECONOMY OVERVIEW

Region: OECD high income

Income category: High income

Population: 321,418,820

GNI per capita (US\$): 54,960

DB2017 rank: 8

DB2016 rank: 7\*

Change in rank: -1

DB 2017 DTF: 82.45

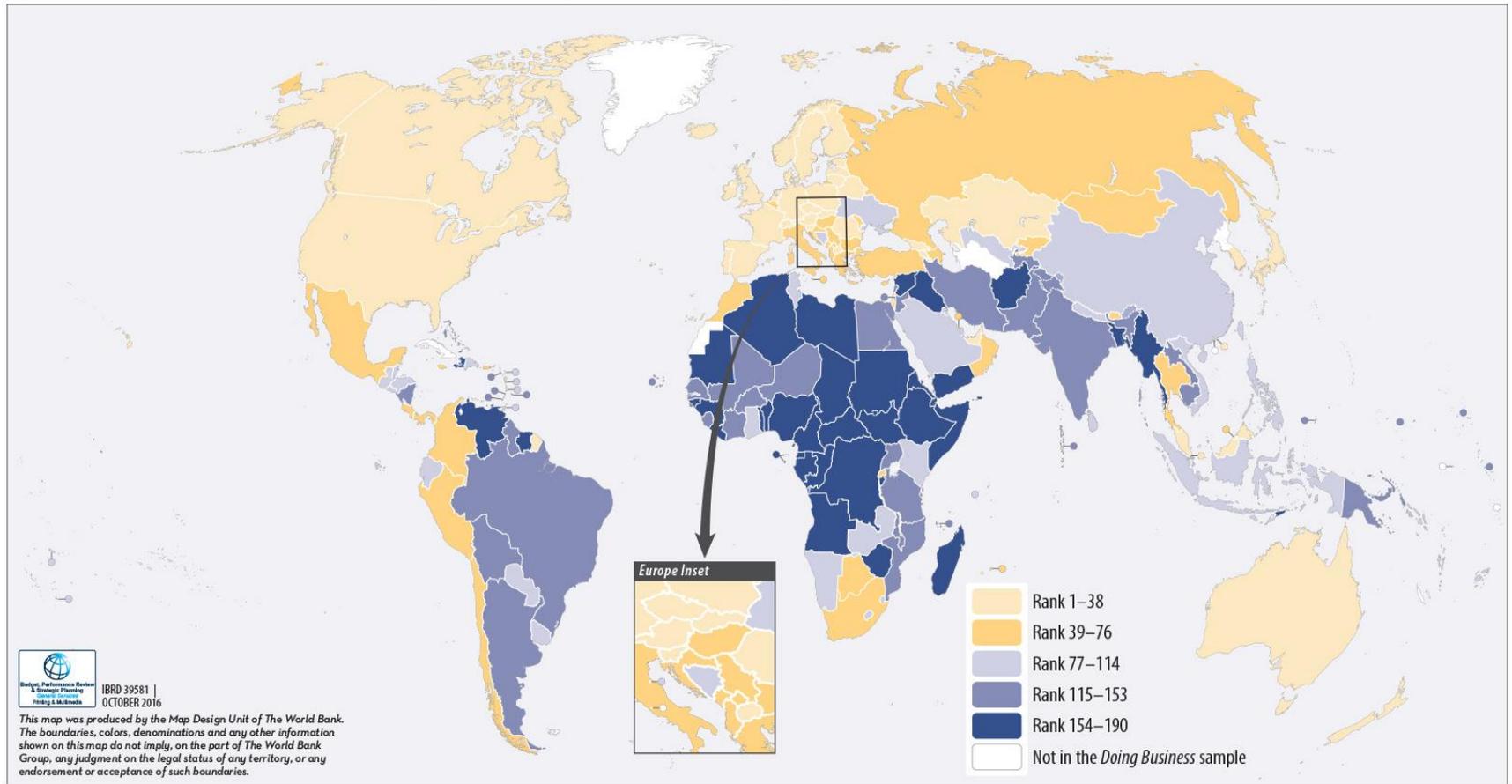
DB 2016 DTF: 82.46

Change in DTF: -0.01

\* DB2016 ranking shown is not last year's published ranking but a comparable ranking for DB2016 that captures the effects of such factors as data revisions and the changes in methodology. See the data notes starting on page 114 of the *Doing Business 2017* report for sources and definitions.

### THE BUSINESS ENVIRONMENT

Figure 1.1 Where economies stand in the global ranking on the ease of doing business



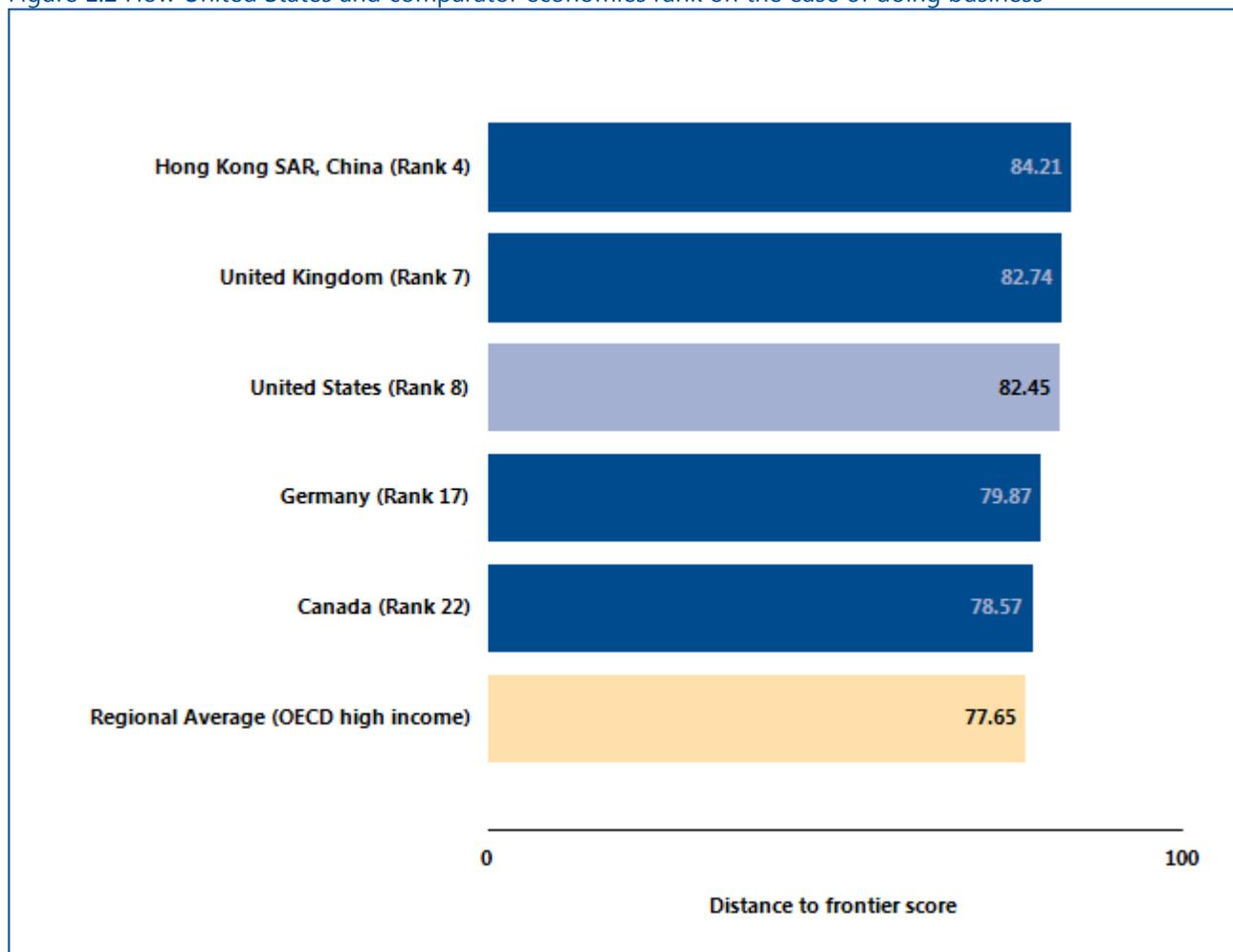
Source: *Doing Business* database.

## THE BUSINESS ENVIRONMENT

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks relative to comparator economies and relative to the

regional average (figure 1.2). The economy's rankings (figure 1.3) and distance to frontier scores (figure 1.4) on the topics included in the ease of doing business ranking provide another perspective.

Figure 1.2 How United States and comparator economies rank on the ease of doing business



*Note:* The rankings are benchmarked to June 2016 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.

*Source:* *Doing Business* database.

## THE BUSINESS ENVIRONMENT

Figure 1.3 Rankings on *Doing Business* topics - United States  
(Scale: Rank 190 center, Rank 1 outer edge)

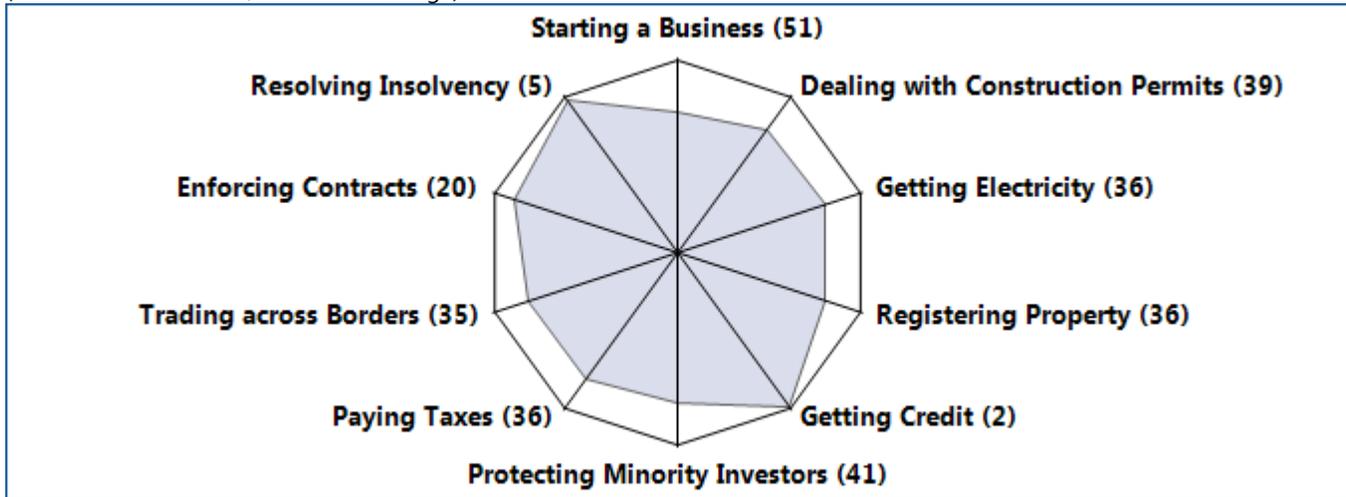
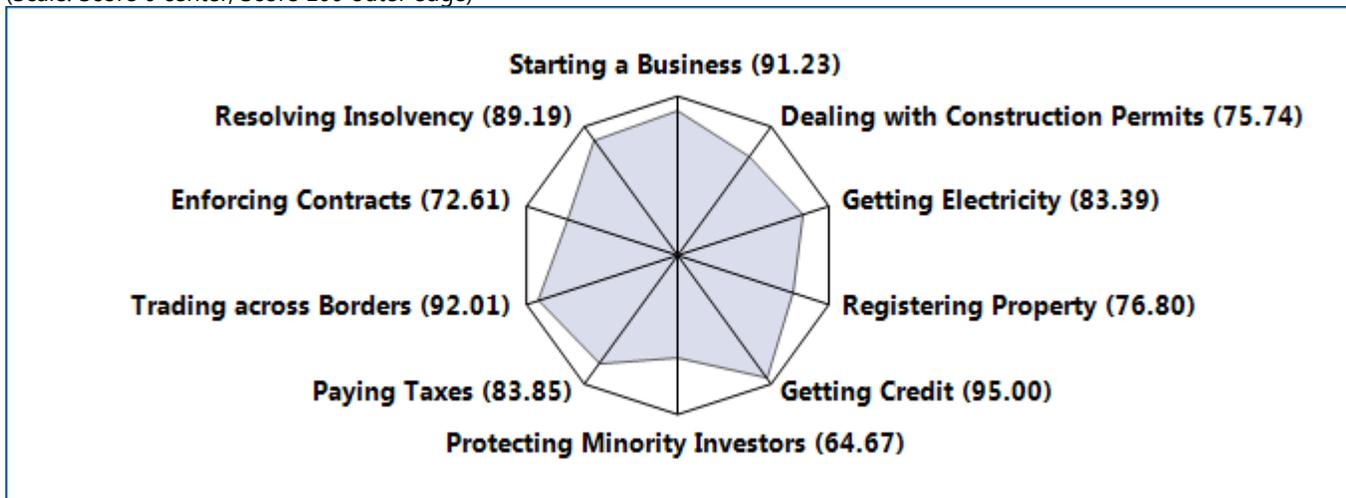


Figure 1.4 Distance to frontier scores on *Doing Business* topics - United States  
(Scale: Score 0 center, Score 100 outer edge)



Source: *Doing Business* database.

Note: The rankings are benchmarked to June 2016 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.

## THE BUSINESS ENVIRONMENT

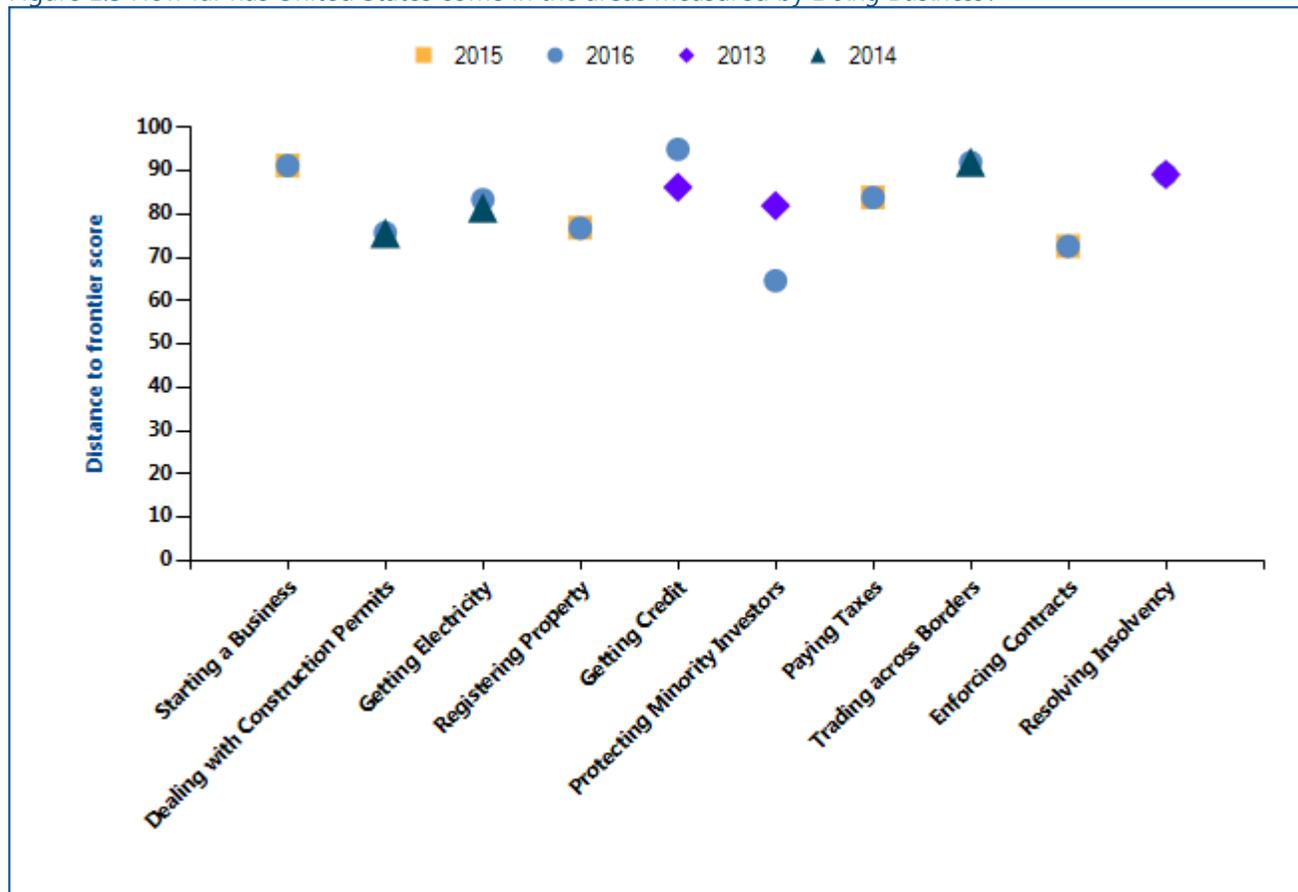
Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy’s regulatory environment for firms, but they are always relative.

Moreover, year-to-year changes in the overall rankings do not reflect how the business regulatory environment in an economy has changed over time—or how it has changed in different areas. To aid in assessing such changes,

*Doing Business* introduced the distance to frontier score. This measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator.

Comparing the measure for an economy at 2 points in time allows users to assess how much the economy’s regulatory environment as measured by *Doing Business* has changed over time—how far it has moved toward (or away from) the most efficient practices and strongest regulations in areas covered by *Doing Business* (figure 1.5).

Figure 1.5 How far has United States come in the areas measured by *Doing Business*?



Note: The distance to frontier score shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator. Getting credit, protecting minority investors and resolving insolvency had methodology changes in 2014 and thus are only comparable to 2013. Dealing with construction permits, getting electricity and trading across borders had methodology changes in 2015 and thus are only comparable to 2014. Starting a business, registering property, paying taxes and enforcing contracts had methodology changes in 2016 and thus are only comparable to 2015. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). See the data notes starting on page 114 of the *Doing Business 2017* report for more details on the distance to frontier score. Source: *Doing Business* database.

## THE BUSINESS ENVIRONMENT

The absolute values of the indicators tell another part of the story (table 1.1). The indicators, on their own or in comparison with the indicators of a good practice economy or those of comparator economies in the region, may reveal bottlenecks reflected in large numbers of procedures, long delays or high costs. Or they may reveal unexpected strengths in an area of business

regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost. Comparison of the economy's indicators today with those in the previous year may show where substantial bottlenecks persist—and where they are diminishing.

Table 1.1 Summary of *Doing Business* indicators for United States

Indicator	United States DB2017	United States DB2016	New York City DB2017	Los Angeles DB2017	Canada DB2017	Germany DB2017	Hong Kong SAR, China DB2017	United Kingdom DB2017	Best performer globally DB2017
<b>Starting a Business (Rank)</b>	51	45	--	--	2	114	3	16	1 (New Zealand)
<b>Starting a Business (DTF Score)</b>	91.23	91.22	91.60	90.66	98.23	83.42	98.20	94.58	99.96 (New Zealand)
<b>Procedure – Men (number)</b>	6.0	6.0	6.0	6.0	2.0	9.0	2.0	4.0	1.0 (New Zealand)
<b>Time – Men (days)</b>	5.6	5.6	4.0	8.0	1.5	10.5	1.5	4.5	0.5 (New Zealand)
<b>Cost – Men (% of income per capita)</b>	1.1	1.1	1.3	0.8	0.4	1.9	0.6	0.1	0.0 (Slovenia)
<b>Procedure – Women (number)</b>	6.0	6.0	6.0	6.0	2.0	9.0	2.0	4.0	1.0 (New Zealand)
<b>Time – Women (days)</b>	5.6	5.6	4.0	8.0	1.5	10.5	1.5	4.5	0.5 (New Zealand)
<b>Cost – Women (% of income per capita)</b>	1.1	1.1	1.3	0.8	0.4	1.9	0.6	0.1	0.0 (Slovenia)
<b>Paid-in min. capital (% of income per capita)</b>	0.0	0.0	0.0	0.0	0.0	32.9	0.0	0.0	0.0 (127 Economies*)
<b>Dealing with Construction Permits</b>	39	37	--	--	57	12	5	17	1 (New Zealand)

Indicator	United States DB2017	United States DB2016	New York City DB2017	Los Angeles DB2017	Canada DB2017	Germany DB2017	Hong Kong SAR, China DB2017	United Kingdom DB2017	Best performer globally DB2017
(Rank)									
<b>Dealing with Construction Permits (DTF Score)</b>	75.74	75.73	73.43	79.21	73.66	81.45	84.82	80.34	87.40 (New Zealand)
<b>Procedures (number)</b>	15.8	15.8	15.0	17.0	12.0	8.0	11.0	9.0	7.0 (4 Economies*)
<b>Time (days)</b>	80.6	80.6	89.0	68.0	249.0	96.0	72.0	86.0	28.0 (Korea, Rep.)
<b>Cost (% of warehouse value)</b>	1.0	1.0	0.3	1.9	1.3	1.1	0.7	1.1	0.1 (Trinidad and Tobago)
<b>Building quality control index (0-15)</b>	10.0	10.0	8.0	13.0	14.0	9.5	12.0	9.0	15.0 (Luxembourg*)
<b>Getting Electricity (Rank)</b>	36	32	--	--	108	5	3	17	1 (Korea, Rep.)
<b>Getting Electricity (DTF Score)</b>	83.39	83.39	91.23	71.64	63.76	98.79	99.02	89.12	99.88 (Korea, Rep.)
<b>Procedures (number)</b>	4.8	4.8	4.0	6.0	7.0	3.0	3.0	4.0	3.0 (15 Economies*)
<b>Time (days)</b>	89.6	89.6	60.0	134.0	137.0	28.0	27.0	79.0	18.0 (Korea, Rep.*)
<b>Cost (% of income per capita)</b>	24.4	24.6	14.0	40.0	125.8	40.8	1.4	25.8	0.0 (Japan)
<b>Reliability of supply and transparency of tariff index (0-8)</b>	7.6	7.6	8.0	7.0	6.0	8.0	8.0	8.0	8.0 (26 Economies*)
<b>Registering Property (Rank)</b>	36	37	--	--	43	79	61	47	1 (New Zealand)
<b>Registering Property (DTF Score)</b>	76.80	76.85	76.66	77.02	75.40	65.72	69.79	74.11	94.46 (New Zealand)
<b>Procedures (number)</b>	4.4	4.4	4.0	5.0	6.0	6.0	5.0	6.0	1.0 (4 Economies*)

Indicator	United States DB2017	United States DB2016	New York City DB2017	Los Angeles DB2017	Canada DB2017	Germany DB2017	Hong Kong SAR, China DB2017	United Kingdom DB2017	Best performer globally DB2017
Time (days)	15.2	15.2	12.0	20.0	16.5	52.0	27.5	21.5	1.0 (3 Economies*)
Cost (% of property value)	2.4	2.4	3.5	0.9	3.1	6.7	7.7	4.8	0.0 (Saudi Arabia)
Quality of the land administration index (0-30)	17.6	17.6	18.0	17.0	21.5	22.0	23.0	24.0	29.0 (Singapore)
Getting Credit (Rank)	2	2	--	--	7	32	20	20	1 (New Zealand)
Getting Credit (DTF Score)	95.00	95.00	95.00	95.00	85.00	70.00	75.00	75.00	100.00 (New Zealand)
Strength of legal rights index (0-12)	11.0	11.0	11.0	11.0	9.0	6.0	8.0	7.0	12.0 (3 Economies*)
Depth of credit information index (0-8)	8.0	8.0	8.0	8.0	8.0	8.0	7.0	8.0	8.0 (30 Economies*)
Credit registry coverage (% of adults)	0.0	0.0	0.0	0.0	0.0	1.9	0.0	0.0	100.0 (3 Economies*)
Credit bureau coverage (% of adults)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0 (23 Economies*)
Protecting Minority Investors (Rank)	41	39	--	--	7	53	3	6	1 (New Zealand*)
Protecting Minority Investors (DTF Score)	64.67	64.67	63.33	66.67	76.67	60.00	80.00	78.33	83.33 (New Zealand*)
Strength of minority investor protection index (0-10)	6.5	6.5	6.3	6.7	7.7	6.0	8.0	7.8	8.3 (New Zealand*)
Extent of conflict of interest regulation index (0-10)	8.3	8.3	8.3	8.3	8.7	5.0	9.0	8.3	9.3 (New Zealand*)
Extent of shareholder governance index (0-	4.6	4.6	4.3	5.0	6.7	7.0	7.0	7.3	8.3 (Norway)

Indicator	United States DB2017	United States DB2016	New York City DB2017	Los Angeles DB2017	Canada DB2017	Germany DB2017	Hong Kong SAR, China DB2017	United Kingdom DB2017	Best performer globally DB2017
10)									
<b>Paying Taxes (Rank)</b>	36	34	--	--	17	48	3	10	1 (United Arab Emirates)
<b>Paying Taxes (DTF Score)</b>	83.85	83.89	82.92	85.25	88.86	82.1	98.69	90.74	99.44 (United Arab Emirates)
<b>Payments (number per year)</b>	10.6	10.6	11.0	10.0	8.0	9.0	3.0	8.0	3.0 (Hong Kong SAR, China*)
<b>Time (hours per year)</b>	175.0	175.0	175.0	175.0	131.0	218.0	74.0	110.0	55.0 (Luxembourg)
<b>Total tax rate (% of profit)</b>	44.0	43.9	46.0	40.9	21.0	48.9	22.9	30.9	26.1 (32 Economies*)
<b>Postfiling index (0-100)</b>	93.1	93.1	93.1	93.1	76.4	97.5	98.6	87.4	98.5 (Estonia)
<b>Trading across Borders (Rank)</b>	35	35	--	--	46	38	42	28	1 (10 Economies*)
<b>Trading across Borders (DTF Score)</b>	92.01	92.01	92.01	92.01	88.36	91.77	88.94	93.76	100.00 (10 Economies*)
<b>Time to export: Border compliance (hours)</b>	2	2	2	2	2	36	19	24	0 (18 Economies*)
<b>Cost to export: Border compliance (USD)</b>	175	175	175	175	167	345	282	280	0 (18 Economies*)
<b>Time to export: Documentary compliance (hours)</b>	2	2	2	2	1	1	1	4	1 (25 Economies*)
<b>Cost to export: Documentary compliance (USD)</b>	60	60	60	60	156	45	57	25	0 (19 Economies*)
<b>Time to import: Border compliance (hours)</b>	2	2	2	2	2	0	19	3	0 (25 Economies*)

Indicator	United States DB2017	United States DB2016	New York City DB2017	Los Angeles DB2017	Canada DB2017	Germany DB2017	Hong Kong SAR, China DB2017	United Kingdom DB2017	Best performer globally DB2017
<b>Cost to import: Border compliance (USD)</b>	175	175	175	175	172	0	266	0	0 (28 Economies*)
<b>Time to import: Documentary compliance (hours)</b>	8	8	8	8	1	1	1	2	1 (29 Economies*)
<b>Cost to import: Documentary compliance (USD)</b>	100	100	100	100	163	0	57	0	0 (30 Economies*)
<b>Enforcing Contracts (Rank)</b>	20	20	--	--	112	17	21	31	1 (Korea, Rep.)
<b>Enforcing Contracts (DTF Score)</b>	72.61	72.61	79.06	62.93	54.35	73.17	72.57	69.36	84.15 (Korea, Rep.)
<b>Time (days)</b>	420.0	420.0	370.0	495.0	910.0	499.0	360.0	437.0	164.0 (Singapore)
<b>Cost (% of claim)</b>	30.5	30.5	22.9	42.0	22.3	14.4	21.2	43.9	9.0 (Iceland)
<b>Quality of judicial processes index (0-18)</b>	13.8	13.8	15.0	12.0	9.5	12.0	11.0	15.0	15.5 (Australia)
<b>Resolving Insolvency (Rank)</b>	5	4	--	--	15	3	28	13	1 (Finland)
<b>Resolving Insolvency (DTF Score)</b>	89.19	89.20	89.19	89.19	81.43	92.28	75.06	82.04	93.89 (Finland)
<b>Recovery rate (cents on the dollar)</b>	78.6	78.6	78.6	78.6	87.4	84.4	87.2	88.6	92.9 (Norway)
<b>Time (years)</b>	1.5	1.5	1.5	1.5	0.8	1.2	0.8	1.0	0.4 (22 Economies*)
<b>Cost (% of estate)</b>	10.0	10.0	10.0	10.0	7.0	8.0	5.0	6.0	1.0 (22 Economies*)
<b>Strength of insolvency framework index (0-16)</b>	15.0	15.0	15.0	15.0	11.0	15.0	9.0	11.0	15.0 (6 Economies*)

Source: Doing Business database.

Note: DB2016 rankings shown are not last year's published rankings but comparable rankings for DB2016 that capture the effects of such factors as data revisions and changes to the methodology. The global best performer on time for paying taxes is defined as the lowest

time recorded among all economies in the DB2016 sample that levy the 3 major taxes: profit tax, labor taxes and mandatory contributions, and VAT or sales tax. If an economy has no laws or regulations covering a specific area—for example, insolvency—it receives a “no practice” mark. Similarly, an economy receives a “no practice” mark if regulation exists but is never used in practice or if a competing regulation prohibits such practice. Either way, a “no practice” mark puts the economy at the bottom of the ranking on the relevant indicator. \* Two or more economies share the top ranking on this indicator. A number shown in place of an economy’s name indicates the number of economies that share the top ranking on the indicator. For a list of these economies, see the *Doing Business* website (<http://www.doingbusiness.org>).

## STARTING A BUSINESS

Formal registration of companies has many immediate benefits for the companies and for business owners and employees. Legal entities can outlive their founders. Resources are pooled as several shareholders join forces to start a company. Formally registered companies have access to services and institutions from courts to banks as well as to new markets. And their employees can benefit from protections provided by the law. An additional benefit comes with limited liability companies. These limit the financial liability of company owners to their investments, so personal assets of the owners are not put at risk. Where governments make registration easy, more entrepreneurs start businesses in the formal sector, creating more good jobs and generating more revenue for the government.

### What do the indicators cover?

*Doing Business* records all procedures officially required, or commonly done in practice, for an entrepreneur to start up and formally operate an industrial or commercial business, as well as the time and cost to complete these procedures and the paid-in minimum capital requirement. These procedures include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities. The ranking of economies on the ease of starting a business is determined by sorting their distance to frontier scores for starting a business. These scores are the simple average of the distance to frontier scores for each of the component indicators.

To make the data comparable across economies, several assumptions about the business and the procedures are used. It is assumed that any required information is readily available and that the entrepreneur will pay no bribes. Assumptions about the business:

- Is a limited liability company (or its legal equivalent). If there is more than one type of limited liability company in the economy, the limited liability form most common among domestic firms is chosen. Information on the most common form is obtained from incorporation lawyers or the statistical office.
- Operates in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is 100% domestically owned and has five

## WHAT THE STARTING A BUSINESS INDICATORS MEASURE

### Procedures to legally start and operate a company (number)

Preregistration (for example, name verification or reservation, notarization)

Registration in the economy's largest business city<sup>1</sup>

Postregistration (for example, social security registration, company seal)

Obtaining approval from spouse to start a business, to leave the home to register the company or open a bank account.

Obtaining any gender specific document for company registration and operation, national identification card or opening a bank account.

### Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day (2 procedures cannot start on the same day). Procedures that can be fully completed online are recorded as ½ day.

Procedure completed once final document is received

No prior contact with officials

### Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

No professional fees unless services required by law or commonly used in practice

### Paid-in minimum capital (% of income per capita)

Deposited in a bank or with a notary before registration (or within 3 months)

- The size of the entire office space is approximately 929 square meters (10,000 square feet).

owners, none of whom is a legal entity

- Has start-up capital of 10 times income per capita
- Performs general commercial or industrial activities, such as the production or sale to the public of products or services. The business does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. It is not using heavily polluting production processes.
- Leases the commercial plant or offices and is not a proprietor of real estate.
- The amount of the annual lease for the office space is equivalent to 1 times income per capita

- Does not qualify for investment incentives or any special benefits.
- Has at least 10 and up to 50 employees one month after the commencement of operations, all of them domestic nationals.
- Has a turnover of at least 100 times income per capita.
- Has a company deed 10 pages long.

**The owners:**

- Have reached the legal age of majority and are capable of making decisions as an adult. If there is no legal age of majority, they are assumed to be 30 years old.
- Are sane, competent, in good health and have no criminal record.
- Are married, the marriage is monogamous and registered with the authorities.
- Where the answer differs according to the legal system applicable to the woman or man in question (as may be the case in economies where there is legal plurality), the answer used will be the one that applies to the majority of the population.

## STARTING A BUSINESS

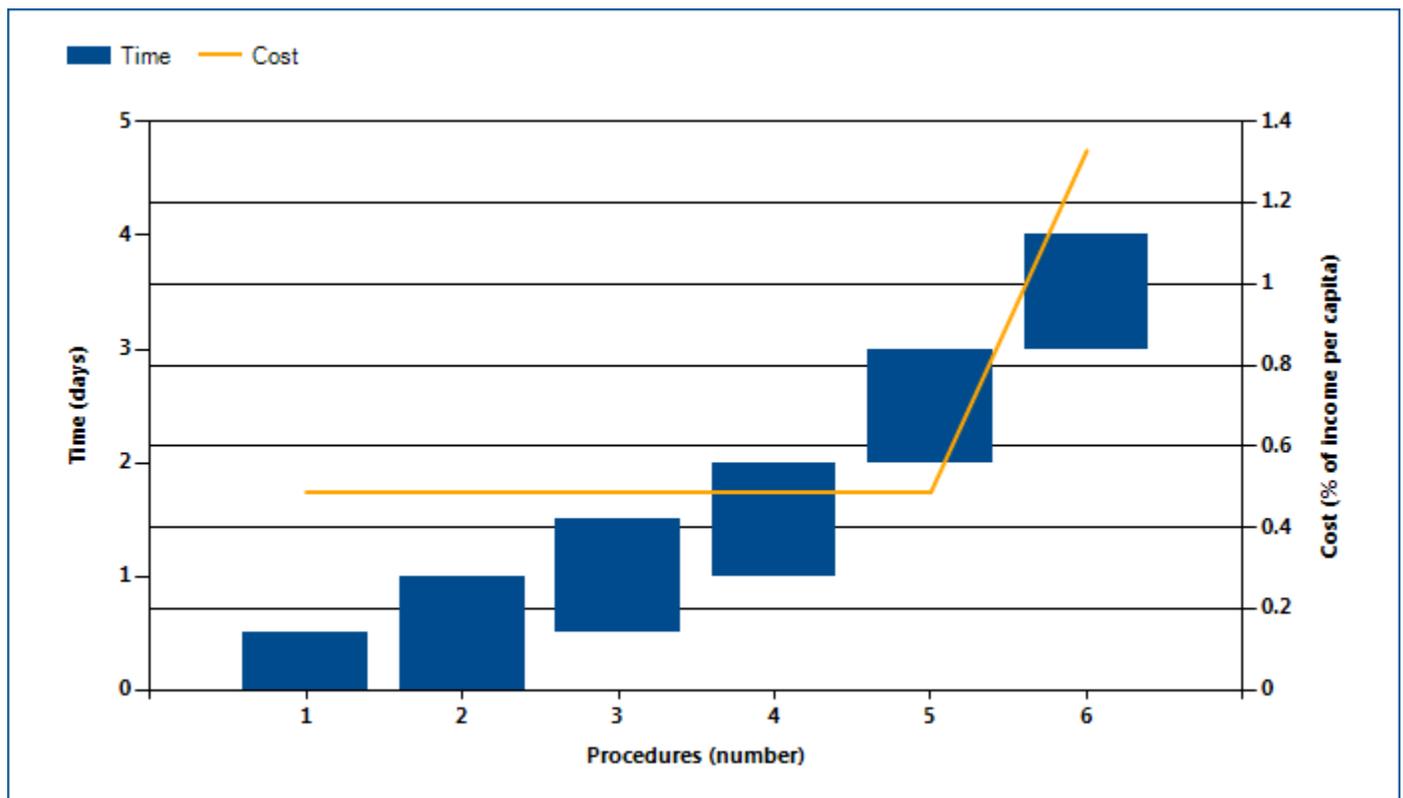
### Where does the economy stand today?

What does it take to start a business in United States? According to data collected by *Doing Business*, starting a business there requires 6.0 procedures, takes 5.6 days, costs 1.1% of income per capita for men, and requires 6.0 procedures, takes 5.6 days, costs 1.1% of income per capita for women. A requirement of paid-in minimum capital of 0.0% of income per capita (figure 2.1) is legally mandatory for both men and women. Most indicator sets

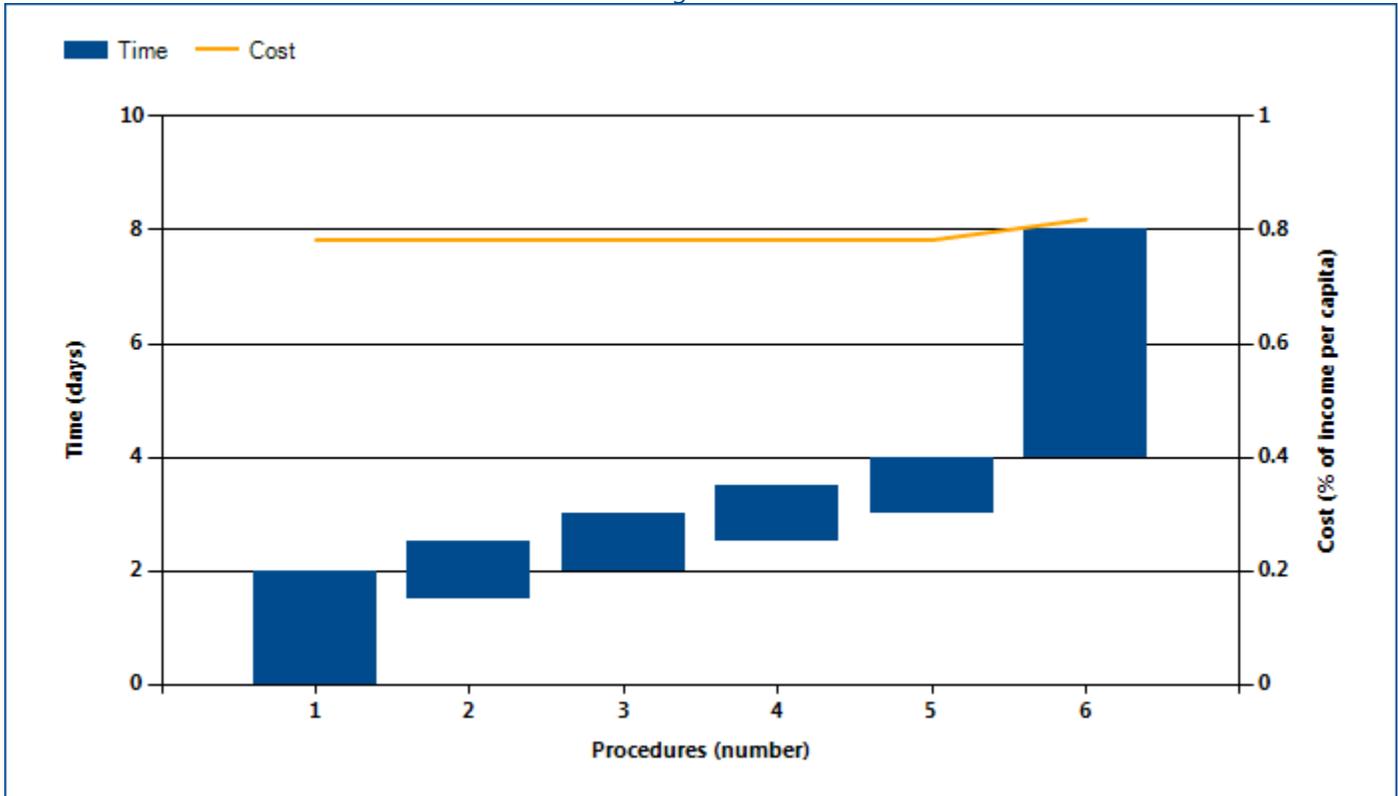
refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 2.1 What it takes to start a business in United States - New York City

Paid-in minimum capital (% of income per capita): 0.0



What it takes to start a business in United States - Los Angeles



Source: *Doing Business* database.

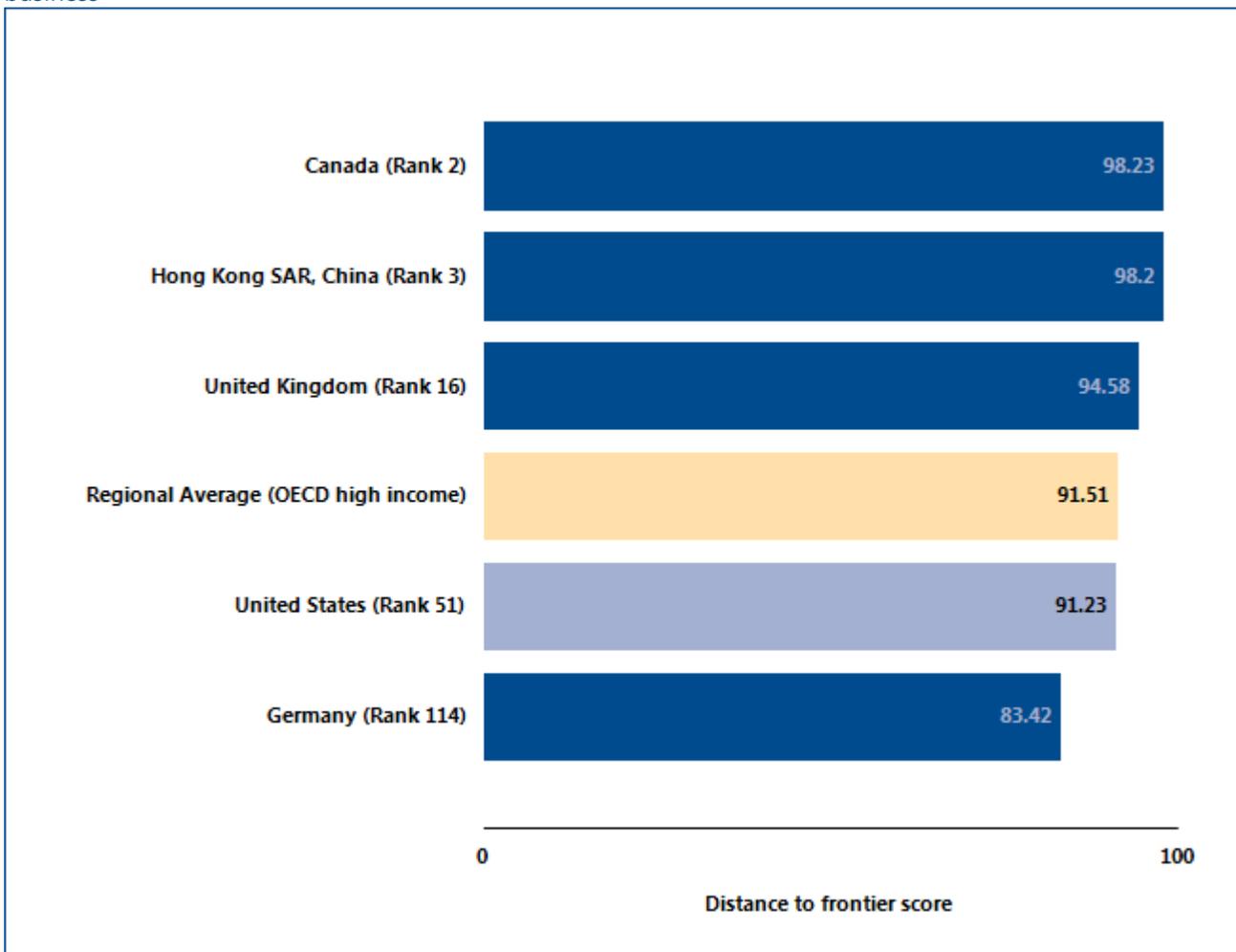
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the starting a business indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter. Procedures in light blue are for married women only.

### STARTING A BUSINESS

Globally, United States stands at 51 in the ranking of 190 economies on the ease of starting a business (figure 2.2). The rankings for comparator economies and the regional

average ranking provide other useful information for assessing how easy it is for an entrepreneur in United States to start a business.

Figure 2.2 How United States and comparator economies rank on the ease of starting a business



Source: *Doing Business* database.

## STARTING A BUSINESS

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and

they often are part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

What business registration reforms has *Doing Business* recorded in United States (table 2.1)?

Table 2.1 How has United States made starting a business easier—or not?  
By *Doing Business* report year from DB2011 to DB2017

DB year	Reform
DB2015	In the United States starting a business became easier in New York City thanks to faster online procedures.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

## STARTING A BUSINESS

### What are the details?

Underlying the indicators shown in this chapter for United States is a set of specific procedures—the bureaucratic and legal steps that an entrepreneur must complete to incorporate and register a new firm. These are identified by *Doing Business* through collaboration with relevant local professionals and the study of laws, regulations and publicly available information on business entry in that economy. Following is a detailed summary of those procedures, along with the associated time and cost. These procedures are those that apply to a company matching the standard assumptions (the “standardized company”) used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators measure).

#### STANDARDIZED COMPANY

**Legal form:** NY Limited Liability Company

**Paid-in minimum capital requirement:** USD 0

**City:** New York City, Los Angeles

**Start-up Capital:** 10 times GNI per capita

Table 2.2 Summary of time, cost and procedures for starting a business in United States - New York City

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Reserve the company's business name (optional), file the company's articles of organization and adopt the company's operating agreement</b></p> <p>The company founders may reserve the name of the company with the New York State Department of State Division of Corporations prior to filing the company's articles of organization. To reserve a name, the founders should file an application for Reservation of Name and pay a fee of USD 20. The name reservation can be done online at the following: <a href="http://www.dos.ny.gov/corps/llccorp.html">http://www.dos.ny.gov/corps/llccorp.html</a>. The application holds the name for 60 days and may be extended twice for additional periods of 60 days. The fee to extend the reservation of name is also USD 20. The company name must contain the words "Limited Liability Company," "L.L.C.," or "LLC."</p> <p>The founders must file the company's articles of organization with the New York Department of State Division of Corporations. Forms can be purchased at a legal supply store or downloaded from the department's website. The application processing time is about seven business days. However, optional expedited processing is available according to the following fee schedule:</p> <ul style="list-style-type: none"> <li>- 2-hour turnaround: USD 150 (additional fee)</li> <li>- Same-day service: USD 75 (additional fee)</li> <li>- 24-hour turnaround: USD 25 (additional fee)</li> </ul> <p>New York State requires an LLC to have a written operating agreement but such agreement does not have to be filed with the state. The business members may enter into an operating agreement before, at the time of, or within 90 days after the filing of the articles of organization. Regardless of when such an agreement was entered into,</p>	Less than one day (online procedure)	USD 275 (USD 200 filing fee, USD 75 expedited service fee)

No.	Procedure	Time to complete	Cost to complete
	<p>it may be effective upon the formation of the LLC or at a later date specified in the operating agreement (provided, however, that under no circumstances shall an operating agreement become effective prior to the formation of such company).</p> <p><i>Agency: New York State Department of State, Division of Corporations</i></p>		
2	<p><b>Apply for federal identification number (EIN) for tax and employer purposes</b></p> <p>The company needs to apply for a federal Employer Identification Number ("EIN"), which is used for tax and employer purposes. Founders must file IRS Form SS-4 (available from the US Internal Revenue Service).</p> <p>It is possible to apply online at <a href="http://www.irs.gov/Businesses/Small-Businesses-&amp;Self-Employed/Employer-ID-Numbers-EINs">http://www.irs.gov/Businesses/Small-Businesses-&amp;Self-Employed/Employer-ID-Numbers-EINs</a> (processing time: immediate), by telephone (processing time: immediate), by fax (processing time: 4 business days), or by mail (processing time: 4 weeks). If applicants apply online, they do not need fill out IRS Form SS-4.</p> <p><i>Agency: US Internal Revenue Service</i></p>	Less than one day (online procedure)	no charge
3	<p><b>Register to collect state sales tax</b></p> <p>Businesses that "sell taxable tangible personal property, perform taxable services, receive amusement charges, or operate a hotel or motel, and restaurants, taverns, or other establishments that sell food and drink" must register as a sales tax vendor and obtain a Certificate of Authority, as well as those businesses that buy and sell for resale (for example, a wholesale distributor). See the Department of Taxation and Finance's Official Publication 750, "A Guide to Sales Tax in New York State."</p> <p>To register, the founders must file Form DTF-17 or register online at the website of the New York State Department of Taxation and Finance (<a href="http://www.tax.ny.gov/">http://www.tax.ny.gov/</a>). After the company has registered, it generally must file quarterly sales and use tax returns regardless of whether it has started or done any business.</p> <p><i>Agency: New York State Department of Taxation and Finance</i></p>	Less than one day (online procedure)	no charge
4	<p><b>Register as an employer with the Unemployment Insurance Division at the State Labor Department</b></p> <p>Founders must register as an employer by completing Form NYS-100 to determine whether or not the company is liable under the New York State Unemployment Insurance Law. If the company is determined</p>	Less than one day (online procedure)	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>liable, the Department of Labor will send the company quarterly combined withholding, wage reporting and unemployment insurance returns for reporting wages paid to the company's employees. General business employers may register online at the New York State Department of Labor website (<a href="https://applications.labor.ny.gov/eRegWeb/registerEmployer/uiEPMWelcomeMain.faces">https://applications.labor.ny.gov/eRegWeb/registerEmployer/uiEPMWelcomeMain.faces</a>) or by completing Form NYS-100 and submitting it by mail or fax.</p> <p><i>Agency: New York State Department of Labor</i></p>		
<p>5</p>	<p><b>Arrange for workers' compensation and disability insurance</b></p> <p>As New York employers, the LLC founders must obtain and maintain workers' compensation insurance and disability insurance for its employees by purchasing a workers' compensation insurance policy and a disability benefits insurance policy from an authorized private insurance carrier or through the NYS Insurance Fund (or by self-insurance for workers' compensation).</p> <p>The company's federal Employer Identification Number ("EIN") is the company's primary identification with respect to communications with the Workers' Compensation Board or by becoming a member of a group self-insurer authorized by the board. The company must give its EIN to its insurance carrier when obtaining or maintaining its workers' compensation or disability coverage. Workers' compensation insurance floor is calculated using each employee's risk classification, salary, and total payroll.</p> <p><i>Agency: New York State Workers' Compensation Board</i></p>	<p>1 day</p>	<p>no charge</p>
<p>6</p>	<p><b>Arrange for publication and submit certificate and affidavits of publication</b></p> <p>Section 206 of the New York State Limited Liability Company Law requires that within 120 days (after the effectiveness of the initial articles of organization), a limited liability company (LLC) must publish in two newspapers a copy of the Articles of Organization or a notice related to the formation of the LLC once a week for six successive weeks. The newspapers must be designated by the county clerk of the county in which the office of the LLC is located, as stated in the Articles of Organization.</p> <p>The State of New York website has a directory of all New York county websites (<a href="http://www.nysegov.com/citguide.cfm?context=citguide&amp;content=munibycounty1">http://www.nysegov.com/citguide.cfm?context=citguide&amp;content=munibycounty1</a>), which entrepreneurs can use as a reference to find their relevant county for publishing. The cost of notice of publication varies by county.</p> <p>After publication, the printer or publisher of each newspaper will</p>	<p>1 day</p>	<p>USD 475</p>

No.	Procedure	Time to complete	Cost to complete
	<p>provide the entrepreneur with a Certificate of Publication, with the affidavits of publication of the newspapers attached. It must be submitted to the New York Department of State, Division of Corporations, One Commerce Plaza, 99 Washington Avenue, Albany, NY 12231. The fee for filing the Certificate of Publication is USD 50.</p> <p><i>Agency: New York State Department of State, Division of Corporations</i></p>		

\* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

Note: Online procedures account for 0.5 days in the total time calculation.

Procedures in light blue are for married women only.

Summary of time, cost and procedures for starting a business in United States - Los Angeles

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Reserve the company name and file the Articles of Organization</b></p> <p>Organization of the company (i.e., company registration) has to be done in person at the Office of the Secretary of State of California located in Sacramento or can be mailed to the Office of the Secretary of State of California. The formation date is the date in which the document is received and accepted by the Secretary of State. The company may hire a "messenger" located in Sacramento to file on its behalf so that founders do not have to personally go to the Secretary of State office. The fee for hiring a messenger would be USD 20 in addition to the official company organization fees.</p> <p>The name of the limited liability company may not contain the words "bank," "trust," "trustee," "incorporated," "inc.," "corporation," or "corp.," and the name must not contain the words "insurer" or "insurance company" or any other words suggesting that it is in the business of issuing policies of insurance and assuming insurance risks.</p> <p>Pursuant to Section 17702.01, Articles of Organization shall contain the below statement:                      THE PURPOSE OF THE LIMITED LIABILITY COMPANY IS TO ENGAGE IN ANY LAWFUL ACT OR ACTIVITY FOR WHICH A LIMITED LIABILITY COMPANY MAY BE ORGANIZED UNDER THE CALIFORNIA REVISED UNIFORM LIMITED LIABILITY COMPANY ACT.</p> <p>The special handling fee or preclearance and expedited filing services are not applicable to documents submitted by mail. In addition to the time-frames specified in the previous year report, the Secretary of State offers a 4-hour expedited filing service for additional \$500.00 to those who precleared their documents, i.e. submitted their documents for review in advance and paid special fee.</p> <p><i>Agency: California Secretary of State</i></p>	2 days (with 24-hour rush filing)	USD 70 (official fee for organization of an LLC) + USD 10 (name reservation fee) + USD 350 (24-hour rush fee)

No.	Procedure	Time to complete	Cost to complete
2	<p><b>Apply for a Federal Employer Identification Number (EIN)</b></p> <p>The company needs to apply for the federal employer identification number ("EIN"), used for tax and employer purposes, founders must file IRS Form SS-4 (available from the US Internal Revenue Service).</p> <p>It is possible to apply online (processing time: immediate), by telephone (processing time: immediate), by fax (processing time: 4 business days) or by mail (processing time: 4 weeks).</p> <p><i>Agency: US Internal Revenue Service</i></p>	Less than one day (online procedure)	no charge
3	<p><b>Register for California State Sales Tax and Obtain Seller's Permit from the California Board of Equalization</b></p> <p>Businesses that are either:                      (i) engaged in business in California;                      (ii) intend to sell or lease tangible personal property that would ordinarily be subject to sales tax if sold at retail (this includes wholesalers, manufactures and retailers.); or                      (iii) will make sales for a temporary period, normally lasting no longer than 90 days at one or more locations (for example, fireworks booth, Christmas tree lots, garage sale) must register for a seller's permit with Board of Equalization ("BOE").</p> <p>A company may register online at the BOE website or in person at one of the BOE field offices. After the company has registered, the BOE assigns a filing frequency (quarterly prepay, quarterly, monthly, fiscal yearly, yearly) based on your reported sales tax or your anticipated taxable sales at the time of registration.</p> <p><i>Agency: Board of Equalization</i></p>	Less than one day (online procedure)	no charge
4	<p><b>Register for taxes with the City of Los Angeles and Obtain the Tax Registration Certificate (TRC)</b></p> <p>Pursuant to Section 21.03 of the Los Angeles Municipal Code (Imposition of Tax), every person engaged in any trade, calling, occupation, vocation, profession or other means of livelihood in the City of Los Angeles, must obtain a Tax Registration Certificate (TRC) and pay the required business tax due, specified in Sections 21.41 to 21.199 of the Business Tax Ordinance. The Office of Finance of the City of Los Angeles is responsible for the collection of business taxes. The amount of business tax due is based on the company's gross receipts generated during the previous reporting period, subject to applicable reductions under City Clerk Rulings.</p> <p>After submitting the online application, a temporary business tax registration certificate will be issued for the company to print and display at its place of business (please see below a sample TRC certificate for a Professional Corporation, similar to that of a Limited</p>	Less than one day (online procedure)	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>Liability Company as an example). A permanent certificate will be sent via mail and should arrive within 4 weeks from completing the online registration. Inspectors may sometimes pass by the business premises to make sure that this certificate is properly displayed and that the taxpayer company has fulfilled all of its tax duties.</p> <p><i>Agency: City of Los Angeles Office of Finance</i></p>		
5	<p><b>Register for the California State Employer Payroll Tax Account Number</b></p> <p>All employers conducting business in California are subject to the employment tax laws of the California Unemployment Insurance Code (CUIC). Pursuant to Section 1086 of the California Unemployment Insurance Code, every employer in California must register for employer tax payroll number. Once a business hires an employee, the business is considered an employer and must register with the Employment Development Department (EDD) within 15 days after paying wages in excess of \$100 in a quarter. No distinction is made between full-time and part-time or permanent and temporary employees in meeting this requirement.</p> <p><i>Agency: Employment Development Department</i></p>	Less than one day (online procedure)	no charge
6	<p><b>File a Statement of Information with the California Secretary of State</b></p> <p>Pursuant to Article 2 (Formation: Articles of Organization and Other Filings [17702.09]) of the California Revised Uniform Limited Liability Company Act (RULLCA), every registered limited liability company must file a Statement of Information with the Secretary of State in Sacramento within 90 days after filing of its original Articles of Organization. In addition, a Statement of Information must be filed every 2 years thereafter during the applicable filing period. The Statement of Information is to be filed on form LLC-12 by mailing the form to the Secretary of State with a USD 20 filing fee. It can also be delivered in person to the Secretary of State's Sacramento office.</p> <p><i>Agency: California Secretary of State</i></p>	4 days	USD 20

\* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

Note: Online procedures account for 0.5 days in the total time calculation.

Procedures in light blue are for married women only.

## DEALING WITH CONSTRUCTION PERMITS

Regulation of construction is critical to protect the public. But it needs to be efficient, to avoid excessive constraints on a sector that plays an important part in every economy. Where complying with building regulations is excessively costly in time and money, many builders opt out. They may pay bribes to pass inspections or simply build illegally, leading to hazardous construction that puts public safety at risk. Where compliance is simple, straightforward and inexpensive, everyone is better off.

### What do the indicators cover?

*Doing Business* records all procedures required for a business in the construction industry to build a warehouse along with the time and cost to complete each procedure. In addition, this year *Doing Business* introduces a new measure, the building quality control index, evaluating the quality of building regulations, the strength of quality control and safety mechanisms, liability and insurance regimes, and professional certification requirements.

The ranking of economies on the ease of dealing with construction permits is determined by sorting their distance to frontier scores for dealing with construction permits. These scores are the simple average of the distance to frontier scores for each of the component indicators.

To make the data comparable across economies, several assumptions about the construction company, the warehouse project and the utility connections are used.

Assumptions about the construction company

The construction company (BuildCo):

- Is a limited liability company (or its legal equivalent).
- Operates in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is 100% domestically and privately owned.
- Has five owners, none of whom is a legal entity.
- Is fully licensed and insured to carry out construction projects, such as building warehouses.

The construction company (BuildCo) (*continued*):

- Has 60 builders and other employees, all of them nationals with the technical expertise and

### WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

#### Procedures to legally build a warehouse (number)

Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates

Submitting all required notifications and receiving all necessary inspections

Obtaining utility connections for water and sewerage

Registering and selling the warehouse after its completion

#### Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day

Procedure considered completed once final document is received

No prior contact with officials

#### Cost required to complete each procedure (% of warehouse value)

Official costs only, no bribes

#### Building quality control index (0-15)

Sum of the scores of six component indices:

Quality of building regulations (0-2)

Quality control before construction (0-1)

Quality control during construction (0-3)

Quality control after construction (0-3)

Liability and insurance regimes (0-2)

Professional certifications (0-4)

professional experience necessary to obtain construction permits and approvals.

- Has is a licensed architect and a licensed engineer, both registered with the local association of architects or engineers. BuildCo is not assumed to have any other employees who are technical or licensed experts, such as geological or topographical experts.
- Has paid all taxes and taken out all necessary insurance applicable to its general business activity (for example, accidental insurance for construction workers and third-person liability).
- Owns the land on which the warehouse will be built and will sell the warehouse upon its completion.
- Is valued at 50 times income per capita.

#### Assumptions about the warehouse

##### The warehouse:

- Will be used for general storage activities, such as storage of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will have two stories, both above ground, with a total constructed area of approximately 1,300.6 square meters (14,000 square feet). Each floor will be 3 meters (9 feet, 10 inches) high.
- Will have road access and be located in the periurban area of the economy's largest business city (that is, on the fringes of the city but still within its official limits). For 11 economies the data are also collected for the second largest business city.
- Will not be located in a special economic or industrial zone. Will be located on a land plot of approximately 929 square meters (10,000 square feet) that is 100% owned by BuildCo and is accurately registered in the cadastre and land registry.

- Will be a new construction (there was no previous construction on the land), with no trees, natural water sources, natural reserves or historical monuments of any kind on the plot.
- Will have complete architectural and technical plans prepared by a licensed architect. If preparation of the plans requires such steps as obtaining further documentation or getting prior approvals from external agencies, these are counted as procedures.
- Will include all technical equipment required to be fully operational.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

#### Assumptions about the utility connections

##### The water and sewerage connections:

- Will be 150 meters (492 feet) from the existing water source and sewer tap. If there is no water delivery infrastructure in the economy, a borehole will be dug. If there is no sewerage infrastructure, a septic tank in the smallest size available will be installed or built.
- Will not require water for fire protection reasons; a fire extinguishing system (dry system) will be used instead. If a wet fire protection system is required by law, it is assumed that the water demand specified below also covers the water needed for fire protection.
- Will have an average water use of 662 liters (175 gallons) a day and an average wastewater flow of 568 liters (150 gallons) a day. Will have a peak water use of 1,325 liters (350 gallons) a day and a peak wastewater flow of 1,136 liters (300 gallons) a day.
- Will have a constant level of water demand and wastewater flow throughout the year.
- Will be 1 inch in diameter for the water connection and 4 inches in diameter for the sewerage connection.

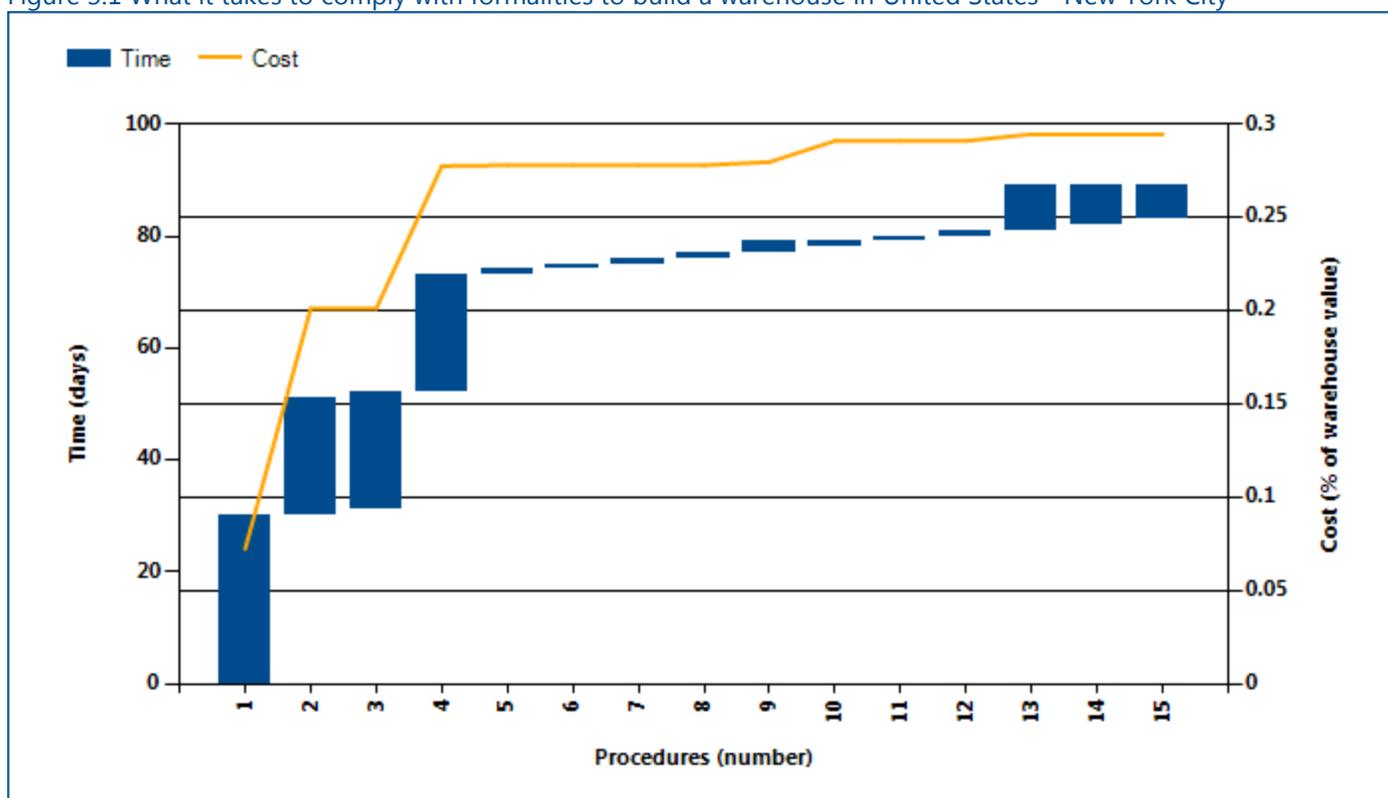
## DEALING WITH CONSTRUCTION PERMITS

### Where does the economy stand today?

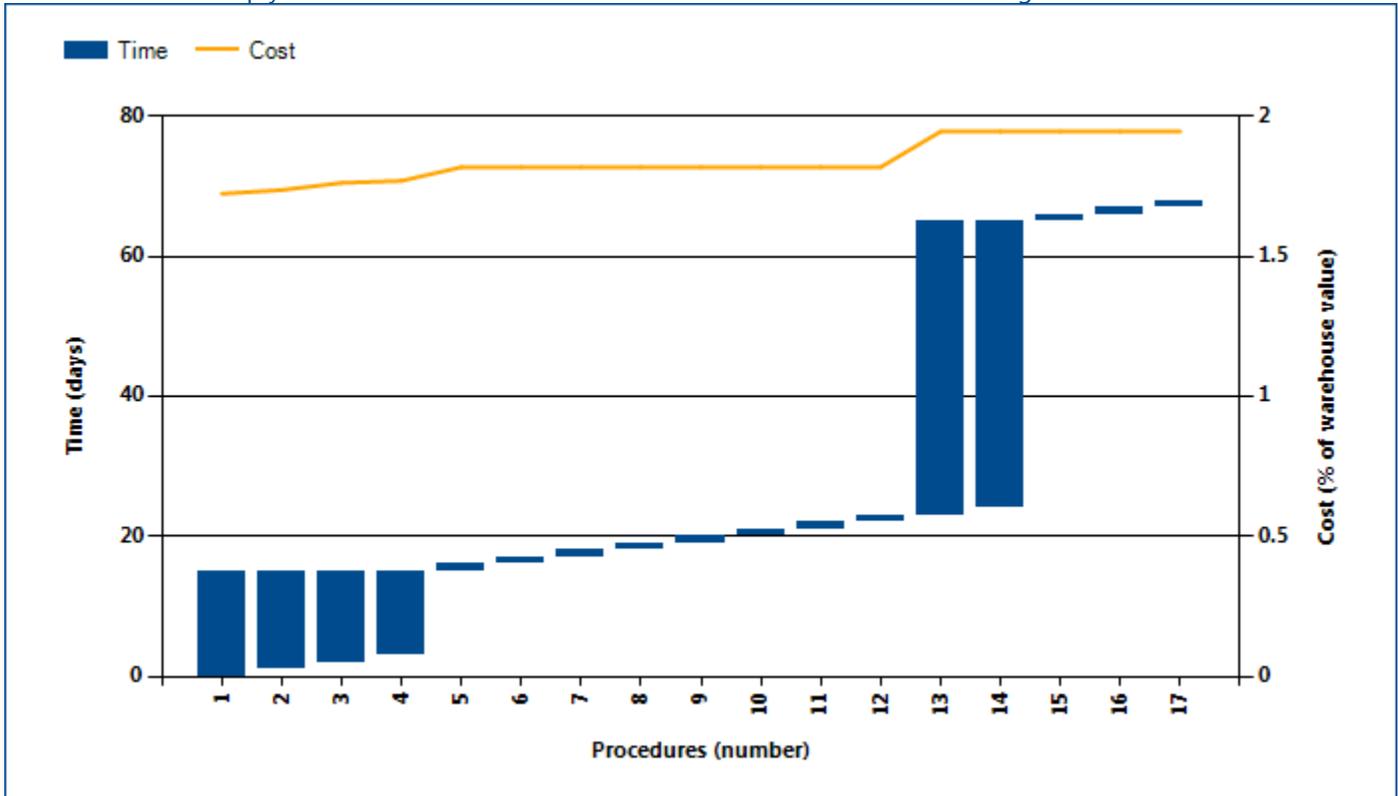
What does it take to comply with the formalities to build a warehouse in United States? According to data collected by *Doing Business*, dealing with construction permits there requires 15.8 procedures, takes 80.6 days and costs 1.0% of the warehouse value (figure 3.1). Most indicator sets refer to a case scenario in the largest

business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 3.1 What it takes to comply with formalities to build a warehouse in United States - New York City



What it takes to comply with formalities to build a warehouse in United States - Los Angeles



Source: *Doing Business* database.

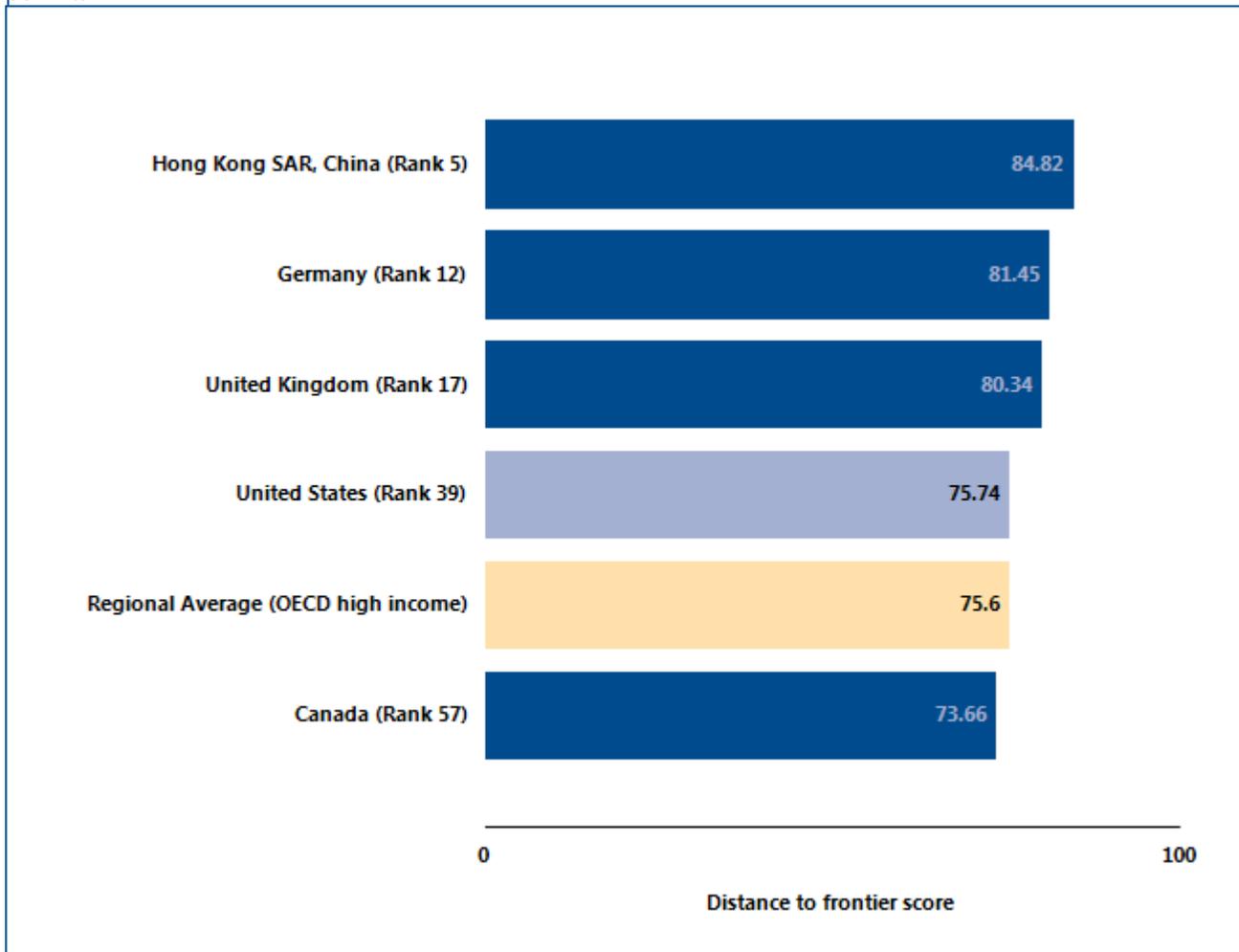
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the dealing with construction permits indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

### DEALING WITH CONSTRUCTION PERMITS

Globally, United States stands at 39 in the ranking of 190 economies on the ease of dealing with construction permits (figure 3.2). The rankings for comparator economies and the regional average ranking provide

other useful information for assessing how easy it is for an entrepreneur in United States to legally build a warehouse.

Figure 3.2 How United States and comparator economies rank on the ease of dealing with construction permits



Source: Doing Business database.

## DEALING WITH CONSTRUCTION PERMITS

### What are the details?

The indicators reported here for United States are based on a set of specific procedures—the steps that a company must complete to legally build a warehouse—identified by *Doing Business* through information collected from experts in construction licensing, including architects, civil engineers, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations. These procedures are those that apply to a company and structure matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

#### BUILDING A WAREHOUSE

**Estimated value of warehouse :** **USD 2,821,855**

**City :** **New York City, Los Angeles**

The procedures, along with the associated time and cost, are summarized below.

Table 3.2 Summary of time, cost and procedures for dealing with construction permits in United States - New York City

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Submit the new Zoning Diagram (ZD1), PW1, Schedule A, Form TR2 &amp; TR3 and obtain approval</b></p> <p>BuildCo must submit the Zoning Diagram (ZD1), PW1 and Schedule A. PW1 Plan/Work Approval Application must include information about the project such as a description, intended location, etc. However, separate PW1 applications must be filed for:</p> <ol style="list-style-type: none"> <li>1. General construction</li> <li>2. Sprinkler protection</li> <li>3. Fire alarm</li> <li>4. Standpipe System</li> <li>5. Boiler</li> <li>6. Plumbing</li> <li>7. Pavement</li> <li>8. Foundation and earth work</li> <li>9. Electrical</li> <li>10. Elevator/lift (to comply with law on disability)</li> </ol> <p>For Forms TR2 and TR3, the director of the licensed concrete laboratory must provide his/her name, sign and date the report, and place his/her seal in the space provided identifying responsibility of conducting the testing in accordance with Building Code 1905.6 and Building Code 1704.1.</p> <p><i>Agency: New York City Department of Buildings (DOB)</i></p>	30 days	USD 2,040
2	<p><b>Request and obtain plan approval from the New York City Department of Buildings (DOB)</b></p> <p>The applicant must be either a Registered Architect (RA) or a Professional Engineer (PE) to submit the plans. The Department of Buildings (DOB) reviews construction plans to ensure that they</p>	21 days	USD 3,640

No.	Procedure	Time to complete	Cost to complete
	<p>comply with the Building Code and meet current safety standards and zoning requirements. Once plans are approved, a contractor or contractor's representative may apply for a construction work permit.</p> <p>Simple projects, as in the case of BuildCo, can opt for a fast-track service offered by the New York City Department of Buildings (DOB), called the Professional Certification Program. The program, introduced in 1996, enables registered architects and professional engineers to certify, through an affidavit signed by the owner, contractor, and all responsible professionals (architects, engineers, plumbers, and the like) that the plans they file with the department are in compliance with all applicable laws. This reduces the amount of time a builder normally would wait for a DOB permit by eliminating the process of DOB examination and approval of the plans.</p> <p>The professional certification must be submitted at the time of pre-filing and in advance. A professionally certified application goes through the same pre-filing, payment, and data entry process as normal applications:</p> <ul style="list-style-type: none"> <li>• Information on the availability of a public sewer system</li> <li>• If a private sewage treatment plant is proposed, evidence of submission of plans for approval of such a plant to the department of environmental protection and the department of health as required by law</li> <li>• The lot diagram showing compliance with the zoning resolution</li> <li>• The foundation plans</li> <li>• The floor and roof plans showing compliance with exit requirements</li> <li>• The detailed architectural, structural, and mechanical drawings</li> <li>• General description of the proposed work</li> </ul> <p>After analyzing the plans (assuming that all required documents are present), the DOB approves the application at the end of data entry.</p> <p>A professionally certified application does not go through plan examination. The applicant can check the application status by using the Buildings Information System and, upon approval, can retrieve the application folder from the DOB to apply for a permit. Twenty percent of all professionally certified applications are selected for audit within 10 days of first permit issuance. The audits for new projects may take place within 30 days after the application is issued.</p> <p>The overall time of application clearance is 5 days on average.</p> <p>According to the 2008 Building Code No. 26-212, the fee for the new building permit is USD 0.26 per square foot. The plumbing permit and foundation fee are calculated inside the above flat rate.</p> <p>The Building Code says that "fifty percent of the total fee for the work permit, but not less than one hundred dollars, or the total</p>		

No.	Procedure	Time to complete	Cost to complete
	<p>fee for the work permit where such fee is less than one hundred dollars, shall be paid by or on behalf of the owner or lessee of the building premises or property affected, and shall accompany the first application for the approval of plans or other statement describing the building work when submitted prior to submission of the permit application; and the whole or remainder of the total fee shall be paid before the work permit may be issued." Still, most companies of BuildCo's size would opt to pay the amount upfront, not in two separate transactions. Only for large projects is dividing the amount widespread.</p> <p>Starting in 2011, the NYC Department of Buildings began accepting digital plans for new buildings. While our contributors have noted that the processing time isn't any faster in practice than submitting in person, it does allow the applicant more project control and improved accessibility to the plan examiner and inter-agency communications, as well as online tracking of application progress.</p> <p><i>Agency: New York City Department of Buildings (DOB)</i></p>		
<p>* 3</p>	<p><b>Submit application and receive Sewer Availability Certification</b></p> <p>Sewer certification application must be submitted by a New York State licensed Professional Engineer (PE) or Registered Architect (RA). Applicant submits 6 copies of the application form, signed and sealed by RA/PE, with signed cover letter, fees, attachments and completed checklist to DEP. DEP reviews the application to ensure it is accurate, complete and compliant with applicable DEP rules and regulations. DEP then issues Sewer Certification (valid for 2 years). Once the application is certified, the applicant is notified that it may be picked up from the DEP Borough Water and Sewer Office or it may be mailed upon request.</p> <p><i>Agency: Department of Environmental Protection (DEP)</i></p>	<p>21 days</p>	<p>no charge</p>
<p>4</p>	<p><b>Master Plumber applies for and receives Sewer Connection Permit</b></p> <p>The Licensed Master Plumber must apply for a Sewer Connection Permit prior to obtaining the work permit. DEP Bureau of Water and Sewer reviews the permit application for accuracy and completion. Licensed Master Plumber brings stamped DEP permit along with permit fees to to DEP Bureau of Customer Service local office. Once the permit is approved, the Master Plumber can connect to water and sewage at any point during or after construction.</p> <p><i>Agency: Department of Environmental Protection (DEP)</i></p>	<p>21 days</p>	<p>USD 2,155</p>

No.	Procedure	Time to complete	Cost to complete
5	<p><b>Notarize signatures of contractor and site safety manager on work permit application form, PW2 form and cost affidavit form (PW3 form)</b></p> <p>The site safety manager must be an employee of BuildCo and possess a valid site safety manager certificate. The cost affidavit must be filed to certify estimated and actual costs, in order to obtain a work permit.</p> <p><i>Agency: Notary</i></p>	1 day	USD 12
6	<p><b>Obtain work permit from the Department of Buildings (DOB)</b></p> <p>After obtaining the Building permit, the company must request a work permit. The request should be accompanied by a copy of the current insurance policy of workers' compensation insurance. This procedure must be done by the contractor even if they are not the owner of the land. Different types of work require separate licenses. However, in one application, more than one permit can be requested. For instance, plumbing and construction work permits can be requested in the same application.</p> <p>For a warehouse, BuildCo must request a new building permit, a plumbing permit, and a foundation and earthwork permit. The request must include the detailed architectural, structural, and mechanical plans. One to two days prior to construction works, the company must notify the DOB by phone.</p> <p><i>Agency: Department of Buildings (DOB)</i></p>	1 day	no charge
7	<p><b>Submit notice to Department of Buildings on commencement of foundation and earthwork</b></p> <p>The foundation and earthwork permit shall be issued on the condition that the applicant provides a written notice to the Department of Buildings at least 24 hours, but no more than 48 hours prior to the commencement of the foundation or earthwork.</p> <p><i>Agency: New York City Department of Buildings (DOB)</i></p>	1 day	no charge
* 8	<p><b>Notify all the owners of adjacent plots about the works</b></p> <p>Notification of adjacent owners, done 5 days prior to excavations for new building foundations, is necessary for obtaining the foundation and earthwork permit.</p> <p><i>Agency: Owners of adjacent plots</i></p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
9	<p><b>Request and obtain work permit from the Department of Transportation</b></p> <p>A Construction Activity Permit fee costs USD 50.00, and is valid for 90 days unless otherwise stated. Once the 90 days expire, the company buys another work permit for the remaining period of construction. Upon applying, the company gets an account number, and the next day obtains the work permit.</p> <p>Unless otherwise authorized, permits shall be kept at the work site or designated field headquarters at all times and shall be made available for inspection upon request of any police officer or any authorized employee of the Departments of Environmental Protection, Buildings, Police, and Transportation, or any other city employees specifically authorized by the Commissioner to enforce these rules.</p> <p><i>Agency: Department of Transportation</i></p>	2 days	USD 50
* 10	<p><b>Receive on-site inspection by the Department of Transportation (DOT) and obtain approval</b></p> <p>Approval from the Department of Transportation is granted after inspection.</p> <p><i>Agency: Department of Transportation</i></p>	1 day	USD 320
11	<p><b>Request occupancy certificate from the Department of Buildings (DOB)</b></p> <p>Upon completion of construction, the company must arrange for DOB inspections. For construction and plumbing, the company should contact the borough office where property is located.</p> <p>After completion of satisfactory inspections and submission of the required fillings (including inspections reports), DOB issues a new certificate of occupancy that describes the legal use and occupancy of a property.</p> <p>Each application must be accompanied by an accurate and complete lot survey made by a licensed surveyor. If the certificate of occupancy application is not signed by a professional engineer or registered architect, the form must be notarized by an official notary public.</p> <p>To obtain the certificate of occupancy, the company must obtain the work permit/approval from the Bureau of Electrical Control, the Department of Environmental Protection, and the Department of Transportation. If these approvals have not yet been granted at the time of applying for the certificate of occupancy, a temporary certificate can be issued. The company then has a year to obtain all the necessary approvals.</p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>If the building does not comply with all the plans and the New York City building code, the company must make the necessary changes. Then the Department of Buildings inspects the warehouse again. This process is repeated until the building complies with all the rules. It is common to have 2 -- 3 inspections of this sort. Once the building passes the inspection, the issuance of the certificate of occupancy is immediate.</p> <p><i>Agency: Department of Buildings (DOB)</i></p>		
<p>* 12</p>	<p><b>Receive final inspection by the Department of Buildings (DOB)</b></p> <p>The inspection takes place after all inspections (electricity, water and sewerage, and transport) have taken place.</p> <p><i>Agency: Department of Buildings (DOB)</i></p>	<p>1 day</p>	<p>no charge</p>
<p>13</p>	<p><b>Obtain occupancy certificate from the Department of Buildings (DOB)</b></p> <p><i>Agency: Department of Buildings (DOB)</i></p>	<p>8 days</p>	<p>USD 100</p>
<p>* 14</p>	<p><b>Receive final inspection by the Department of Environmental Protection (DEP) and obtain approval</b></p> <p>Approval from the Department of Environmental Protection is granted after inspection.</p> <p><i>Agency: Department of Environmental Protection (DEP)</i></p>	<p>1 day</p>	<p>no charge</p>
<p>* 15</p>	<p><b>Receive sewer connection inspection and obtain Certificate of Inspection</b></p> <p>The licensed master plumber will notify DEP when sewer connection is ready for inspection. The trench must be open for any un-inspected length and all work on pipes, joints etc must be visible. The connection inspection must be scheduled at least 24 hours in advance. DEP will issue Certificate of Inspection after all works are in compliance with the sewer certification. The original Certificate of Inspection is stored with the DEP Borough Water and Sewer Office and a copy is sent to the plumber and DOB.</p> <p><i>Agency: Department of Environmental Protection (DEP)</i></p>	<p>1 day</p>	<p>no charge</p>

\* Takes place simultaneously with another procedure.

Source: Doing Business database.

Note: Online procedures account for 0.5 days in the total time calculation.

Summary of time, cost and procedures for dealing with construction permits in United States - Los Angeles

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Receive building plan check and permit</b></p> <p>Building plans are screened for completeness and accuracy. An option to expedite the plan check is available for an expedite fee of 50% of the plan check fee. Plans that are expedited are usually handled in 5 calendar days, as expedited plans can include weekend work, instead of the normal 3-4 week waiting period.</p> <p>Smaller projects such as tenant improvements and small offices may receive a counter plan check that takes only 45-60 minutes.</p> <p>Building plans must be submitted to the Department of Building and Safety, including:</p> <ul style="list-style-type: none"> <li>• Description of the work to be covered by the permit.</li> <li>• Description of the land on which the proposed work is to be done, and the street address.</li> <li>• Description of the use for which the proposed work is intended.</li> <li>• Two sets of site plans, including all boundaries, lot lines, existing and proposed buildings and structures, neighboring public ways, and dimensions.</li> <li>• Valuation of any new building.</li> <li>• Be signed by the permittee, or an authorized agent.</li> <li>• Give such other data and information as may be required by the Superintendent of Building.</li> </ul> <p>Building plan checks include electrical, mechanical, disabled access and structural plan checks. Grading plan checks may also be required if the location is in a hillside area. Mechanical plan checks may also be required when there are HVAC systems or elevators required. HVAC systems may be required if the building is in the desert areas, but would not be required in the beach or basin areas. BuildCo's warehouse is also not likely to require an elevator, according to the CBC Title 42 Chapter 11B, because it is fewer than three stories, and "a reasonable portion of [the] facilities and accommodations normally sought by the public... are accessible to and usable by persons with disabilities."</p> <p>Costs include:</p> <ul style="list-style-type: none"> <li>- For the plan check, a total of \$22,782.75 including: <ul style="list-style-type: none"> <li>• Plan check fee: \$9,699 (90% of the building permit fee) but if expedited this amounts to \$14,548.53 (additional 50% of the plan check fee for expedited services)</li> <li>• Planning fee: \$1,610.34</li> <li>• One stop surcharge: \$290.97</li> <li>• System development surcharge: \$872.91</li> <li>• Arts development surcharge: \$5,460.00 (\$0.39 / sq. ft. and it is only applicable to commercial projects valued at \$500,000 or more)</li> </ul> </li> <li>- For the building permit, total of \$25,863.45 including: <ul style="list-style-type: none"> <li>• Permit fee: \$10,776.69</li> <li>• Fire hydrant fee: \$5,526.82</li> <li>• Plan maintenance fee: \$215.53</li> <li>• EQ instrumentation fee: \$531.38</li> <li>• Planning fee: \$1,209.14</li> </ul> </li> </ul>	15 days	USD 48,646

No.	Procedure	Time to complete	Cost to complete
	<ul style="list-style-type: none"> <li>• One stop surcharge: \$230.47</li> <li>• System development surcharge: \$691.42</li> <li>• State green building surcharge: \$102.00</li> <li>• School district fee: \$6,580.00 (applicable to projects with a total area of 500 square feet or more)</li> </ul> <p><i>Agency: Department of Building and Safety (LADBS)</i></p>		
<p><b>* 2</b></p>	<p><b>Receive plumbing plan check and permit</b></p> <p>The cost includes the following:</p> <ul style="list-style-type: none"> <li>- For the plumbing plan check, a total of \$179.63 including:                             <ul style="list-style-type: none"> <li>• Plan check fee of \$110.88 (70% of the plumbing permit fee) but if expedited this amounts to \$166.32 (additional 50% of the permit fee for expedited services)</li> <li>• One stop surcharge: \$3.33</li> <li>• System development surcharge: \$9.98</li> </ul> </li> <li>- For the plumbing permit, a total of \$195.91 including:                             <ul style="list-style-type: none"> <li>• Expedited permit includes: 1 sink/lavatory (\$23.00), 1 water service connection (\$64.00), one water using device (sub-pump) (\$17.00), 1 public sewer connection (\$40.00)</li> <li>• Permit issuance fee: \$23</li> <li>• One stop surcharge: \$3.63</li> <li>• System development surcharge: \$10.88</li> </ul> </li> </ul> <p><i>Agency: Department of Building and Safety (LADBS)</i></p>	<p>1 day</p>	<p>USD 376</p>
<p><b>* 3</b></p>	<p><b>Bonded plumber applies for and receives sewer connection permit.</b></p> <p>A sewer permit is required for all new connections to sewers. This is an over-the-counter permit and can be issued in as little as 30 minutes.</p> <p>In order to issue an S-Permit, BuildCo must identify the address of the property and work. This will be verified by the Bureau of Engineering (BOE) staff, and they will confirm the availability of the main line sewer. Furthermore, the BOE District Office where the project is located must be identified, in case the District Engineer's input is required.</p> <p>Only a bonded plumber can apply for this permit. The Doing Business methodology assumes that BuildCo has a registered plumber on staff.</p> <p>The cost includes:</p> <ul style="list-style-type: none"> <li>• \$265 flat fee</li> <li>• 2% one-stop surcharge</li> <li>• 7% equipment and training surcharge</li> <li>• \$2.84 per linear foot of sewer connection for the inspection</li> </ul> <p><i>Agency: Los Angeles Department of Sanitation</i></p>	<p>1 day</p>	<p>USD 715</p>

No.	Procedure	Time to complete	Cost to complete
* 4	<p><b>File a Service Advisory Request (SAR) and receive the maximum flow requirements report</b></p> <p>A Service Advisory Request (SAR) must be filed with the Los Angeles Department of Power and Water.</p> <p>Information required:</p> <ul style="list-style-type: none"> <li>• Address of proposed service installation or legal description of property</li> <li>• Proposed service location (distance from property line or distance to centerline of nearest cross street)</li> <li>• Flow requirements (gallons per minute [gpm]) or size, and type of service desired (fire, domestic, irrigation)</li> </ul> <p>A customized hydraulic analysis of existing LADWP facilities serving your location is made. The analysis is based on your service location and your maximum flow requirements. The time required to analyze and process your SAR report generally ranges from a few days to two weeks depending on the volume of requests and the complexity of the analysis. At this time, the average turnaround time is approximately 10 days. The SAR report will be mailed and/or faxed to you at your request.</p> <p>A copy of the completed report is sent to the DBS so that you may obtain your fire sprinkler permit.</p> <p><i>Agency: Los Angeles Department of Water and Power</i></p>	10 days	USD 210
5	<p><b>Receive fire sprinkler plan check and permit</b></p> <p>The cost details include the following:</p> <ul style="list-style-type: none"> <li>- For the sprinkler plan check, a total of \$620.30 including:                             <ul style="list-style-type: none"> <li>• Plan check fee: \$382.90 but if expedited this amounts to \$574.35 (50% additional fee for expedited services)</li> <li>• One stop surcharge: \$11.49</li> <li>• System development surcharge: \$34.46</li> </ul> </li> <li>- For the sprinkler permit, a total of \$760.32 including:                             <ul style="list-style-type: none"> <li>• Expedited permit: 180 sprinkler heads (about 90 per floor) (\$547.00) and 2 standpipe flush risers (1 per floor) (\$134.00)</li> <li>• Permit issuance fee: \$23</li> <li>• One stop surcharge: \$14.08</li> <li>• System development surcharge: \$42.24</li> </ul> </li> </ul> <p><i>Agency: Department of Building and Safety (LADBS)</i></p>	1 day	USD 1,381

No.	Procedure	Time to complete	Cost to complete
6	<p><b>Request and receive foundation inspection</b></p> <p>This inspection occurs when the excavation for footings is complete and footing forms and required reinforcing steel are in place, but before any concrete is placed.</p> <p>The request can be made online. The cost of inspection is included in the cost of the permit.</p> <p><i>Agency: Department of Building and Safety (LADBS)</i></p>	1 day	no charge
7	<p><b>Request and receive inspection of wood framing</b></p> <p>This inspection occurs when all roof, walls and floor framing, fire stopping and bracing are complete and all pipes are in place, but before any of this work is covered.</p> <p>The request can be made online. The cost of inspection is included in the cost of the permit.</p> <p><i>Agency: Department of Building and Safety (LADBS)</i></p>	1 day	no charge
8	<p><b>Request and receive inspection of wall covering</b></p> <p>This inspection takes place when the backing and lath or drywall are in place ready for plaster, stucco or taping.</p> <p>The request can be made online. The cost of inspection is included in the cost of the permit.</p> <p><i>Agency: Department of Building and Safety (LADBS)</i></p>	1 day	no charge
9	<p><b>Request and receive inspection of reinforced concrete</b></p> <p>This inspection takes place when forms and reinforcing steel are in place ready for concrete.</p> <p>The request can be made online. The cost of inspection is included in the cost of the permit.</p> <p><i>Agency: Department of Building and Safety (LADBS)</i></p>	1 day	no charge
10	<p><b>Request and receive inspection of reinforced masonry</b></p> <p>This inspection takes place in grouted masonry when vertical reinforcing steel is in place and other reinforcing steel distributed and ready for placing, but before any units are laid up.</p> <p>The request can be made online. The cost of inspection is included in the cost of the permit.</p> <p><i>Agency: Department of Building and Safety (LADBS)</i></p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
11	<p><b>Request and receive inspection of structural steel</b></p> <p>This inspection takes place when structural steel members are in place and required connections are complete, but before concealing any members or connection.</p> <p>The request can be made online. The cost of inspection is included in the cost of the permit.</p> <p><i>Agency: Department of Building and Safety (LADBS)</i></p>	1 day	no charge
12	<p><b>Request and receive final interior plumbing inspection</b></p> <p>The plumbing inspection must be completed before water may be turned on. This inspection would include inspection of the installed sub-meter.</p> <p>The request can be made online. The cost of the plumbing inspection is included in the cost of the plumbing permit.</p> <p>Note: There may also be one or two rough inspections of the installation of the plumbing during the construction, but the main control check takes place during the final inspection</p> <p><i>Agency: Department of Building and Safety (LADBS)</i></p>	1 day	no charge
13	<p><b>Request and receive water connection</b></p> <p>The sub-meter purchased from the LADWP can be installed by a licensed plumber. After installation, LADWP will turn on the meter for usage.</p> <p><i>Agency: Los Angeles Department of Water and Power</i></p>	42 days	USD 3,584
* 14	<p><b>Request and receive final sewer inspection</b></p> <p>The sewer connection is made by a bonded plumber, which BuildCo is assumed to have on staff. Upon completion of the sewer connection work, the inspector will perform a final inspection. If the work is done correctly, the inspector will sign off on the permit, and a copy of the permit with the inspector's signature will be sent electronically to the Bureau of Engineering. If the work is part of a Department of Building and Safety (DBS) permit and all other conditions are cleared, the Department of Public Works will agree to the issuance of a Certificate</p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>of Occupancy by LADBS.</p> <p>The cost of the final inspection is included in the cost of the sewer permit.</p> <p><i>Agency: Bureau of Contract Administration</i></p>		
<p><b>15</b></p>	<p><b>Request and receive final fire sprinkler inspection</b></p> <p>This inspection takes place to ensure full functionality of fire sprinklers after everything is completed.</p> <p>The request can be made online. The cost of the fire inspection is included in the cost of the fire sprinkler permit.</p> <p><i>Agency: Los Angeles Fire Department (LAFD)</i></p>	<p>1 day</p>	<p>no charge</p>
<p><b>16</b></p>	<p><b>Request and receive final building inspection</b></p> <p>This inspection takes place when the construction or work is completed and the structure ready for occupancy, but before being occupied.</p> <p>The request can be made online. The cost of inspection is included in the cost of the building permit.</p> <p><i>Agency: Department of Building and Safety (LADBS)</i></p>	<p>1 day</p>	<p>no charge</p>
<p><b>17</b></p>	<p><b>Receive certificate of occupancy</b></p> <p>After the receipt and approval of the final inspection report from each of the divisions of the Department of Building and Safety, and after the city engineer has reported that all required public improvements have been completed, the Superintendent of Building shall issue a certificate of occupancy, without charge, to the owner of the building.</p> <p>In practice this takes 1-2 days.</p> <p><i>Agency: Department of Building and Safety (LADBS)</i></p>	<p>1 day</p>	<p>no charge</p>

\* Takes place simultaneously with another procedure.

Source: Doing Business database.

Note: Online procedures account for 0.5 days in the total time calculation.

## DEALING WITH CONSTRUCTION PERMITS

### Building Quality Control Index

The building quality control index is the sum of the scores on the quality of building regulations, quality control before construction, quality control during construction, quality control after construction, liability and insurance regimes, and professional certifications indices.

The index ranges from 0 to 15, with higher values indicating better quality control and safety mechanisms in the construction permitting system.

The indicator is based on the same case study assumptions as the measures of efficiency.

Table 3.3 Summary of time quality control and safety mechanisms in United States

	Answer (New York City)	Score (New York City)	Answer (Los Angeles)	Score (Los Angeles)
Building quality control index (0-15)		8.0		13.0
Quality of building regulations index (0-2)		2.0		2.0
How accessible are building laws and regulations in your economy? (0-1)	Available online; Free of charge.	1.0	Available online; Free of charge.	1.0
Which requirements for obtaining a building permit are clearly specified in the building regulations or on any accessible website, brochure or pamphlet? (0-1)	List of required documents; Fees to be paid; Required preapprovals.	1.0	List of required documents; Fees to be paid; Required preapprovals.	1.0
Quality control before construction index (0-1)		1.0		1.0
Which third-party entities are required by law to verify that the building plans are in compliance with existing building regulations? (0-1)	Licensed architect.	1.0	Licensed engineer.	1.0
Quality control during construction index (0-3)		0.0		2.0
What types of inspections (if any) are required by law to be carried out during construction? (0-2)	No inspections are legally required during construction.	0.0	Inspections by in-house engineer; Inspections at various phases.	1.0
Do legally mandated inspections occur in practice during construction? (0-1)	Mandatory inspections are not always done in practice	0.0	Mandatory inspections are always done in practice.	1.0

	Answer (New York City)	Score (New York City)	Answer (Los Angeles)	Score (Los Angeles)
	during construction.			
Quality control after construction index (0-3)		3.0		3.0
Is there a final inspection required by law to verify that the building was built in accordance with the approved plans and regulations? (0-2)	Yes, final inspection is done by government agency.	2.0	Yes, final inspection is done by government agency.	2.0
Do legally mandated final inspections occur in practice? (0-1)	Final inspection always occurs in practice.	1.0	Final inspection always occurs in practice.	1.0
Liability and insurance regimes index (0-2)		0.0		1.0
Which parties (if any) are held liable by law for structural flaws or problems in the building once it is in use (Latent Defect Liability or Decennial Liability)? (0-1)	No party is held liable under the law.	0.0	Architect or engineer; Professional in charge of the supervision; Construction company.	1.0
Which parties (if any) are required by law to obtain an insurance policy to cover possible structural flaws or problems in the building once it is in use (Latent Defect Liability Insurance or Decennial Insurance)? (0-1)	No party is required by law to obtain insurance .	0.0	No party is required by law to obtain insurance .	0.0
Professional certifications index (0-4)		2.0		4.0
What are the qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with existing building regulations? (0-2)	Minimum number of years of experience; University degree in architecture or engineering ; Being a registered architect or engineer; Passing a certification exam.	2.0	Minimum number of years of experience; University degree in architecture or engineering; Being a registered architect or engineer; Passing a certification exam.	2.0

	Answer (New York City)	Score (New York City)	Answer (Los Angeles)	Score (Los Angeles)
What are the qualification requirements for the professional who supervises the construction on the ground? (0-2)	Minimum number of years of experience; Being a registered architect or engineer.	0.0	Minimum number of years of experience; University degree in engineering, construction or construction management; Passing a certification exam.	2.0

Source: Doing Business database.

## GETTING ELECTRICITY

Access to reliable and affordable electricity is vital for businesses. To counter weak electricity supply, many firms in developing economies have to rely on self-supply, often at a prohibitively high cost. Whether electricity is reliably available or not, the first step for a customer is always to gain access by obtaining a connection.

*What do the indicators cover?*

*Doing Business* records all procedures required for a local business to obtain a permanent electricity connection and supply for a standardized warehouse, as well as the time and cost to complete them. These procedures include applications and contracts with electricity utilities, clearances from other agencies and the external and final connection works. In addition, this year *Doing Business* adds two new measures: the reliability of supply and transparency of tariffs index (included in the aggregate distance to frontier score and ranking on the ease of doing business) and the price of electricity (omitted from these aggregate measures). The ranking of economies on the ease of getting electricity is determined by sorting their distance to frontier scores for getting electricity. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions are used.

### Assumptions about the warehouse

The warehouse:

- Is owned by a local entrepreneur.
- Is located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is located in an area where similar warehouses are typically located. In this area a new electricity connection is not eligible for a special investment promotion regime (offering special subsidization or faster service, for example).
- Is located in an area with no physical constraints. For example, the property is not near a railway.
- Is a new construction and is being connected to electricity for the first time.

The warehouse (*continued*):

### WHAT THE GETTING ELECTRICITY INDICATORS MEASURE

#### Procedures to obtain an electricity connection (number)

- Submitting all relevant documents and obtaining all necessary clearances and permits
- Completing all required notifications and receiving all necessary inspections
- Obtaining external installation works and possibly purchasing material for these works
- Concluding any necessary supply contract and obtaining final supply

#### Time required to complete each procedure (calendar days)

- Is at least 1 calendar day
- Each procedure starts on a separate day
- Does not include time spent gathering information
- Reflects the time spent in practice, with little follow-up and no prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- Excludes value added tax

#### The reliability of supply and transparency of tariffs index

- Sum of the scores of six component indices:
  - Duration and frequency of outages
  - Tools to monitor power outages
  - Tools to restore power supply
  - Regulatory monitoring of utilities' performance
  - Financial deterrents aimed at limiting outages
  - Transparency and accessibility of tariffs

#### Price of electricity (cents per kilowatt-hour)\*

- Price based on monthly bill for commercial warehouse in case study

**\*Price of electricity is not included in the calculation of distance to frontier nor ease of doing business ranking**

- Has two stories, both above ground, with a total surface area of approximately 1,300.6 square meters (14,000 square feet). The plot of land on which it is built is 929 square meters (10,000 square feet).
- Is used for storage of goods.

#### Assumptions about the electricity connection

##### The electricity connection:

- Is a permanent one.
- Is a three-phase, four-wire Y connection with a subscribed capacity of 140-kilo-volt-ampere (kVA) with a power factor of 1, when 1 kVA = 1 kilowatt (kW).
- Has a length of 150 meters. The connection is to either the low- or medium-voltage distribution network and is either overhead or underground, whichever is more common in the area where the warehouse is located. Requires works that involve the crossing of a 10-meter road (such as by excavation or overhead lines) but are all carried out on public land. There is no crossing of other owners' private property because the warehouse has access to a road.
- Includes only a negligible length in the customer's private domain.
- Does not require work to install the internal wiring of the warehouse. This has already been completed up to and including the customer's service panel or switchboard and the meter base

#### Assumptions about the monthly consumption

- It is assumed that the warehouse operates 30 days a month from 9:00 a.m. to 5:00 p.m. (8 hours a day), with equipment utilized at 80% of capacity on average and that there are no electricity cuts (assumed for simplicity reasons).
- The monthly energy consumption is 26,880 kilowatt-hours (kWh); hourly consumption is 112 kWh.
- If multiple electricity suppliers exist, the warehouse is served by the cheapest supplier.
- Tariffs effective in March of the current year are used for calculation of the price of electricity for the warehouse. Although March has 31 days, for calculation purposes only 30 days are used.

## GETTING ELECTRICITY

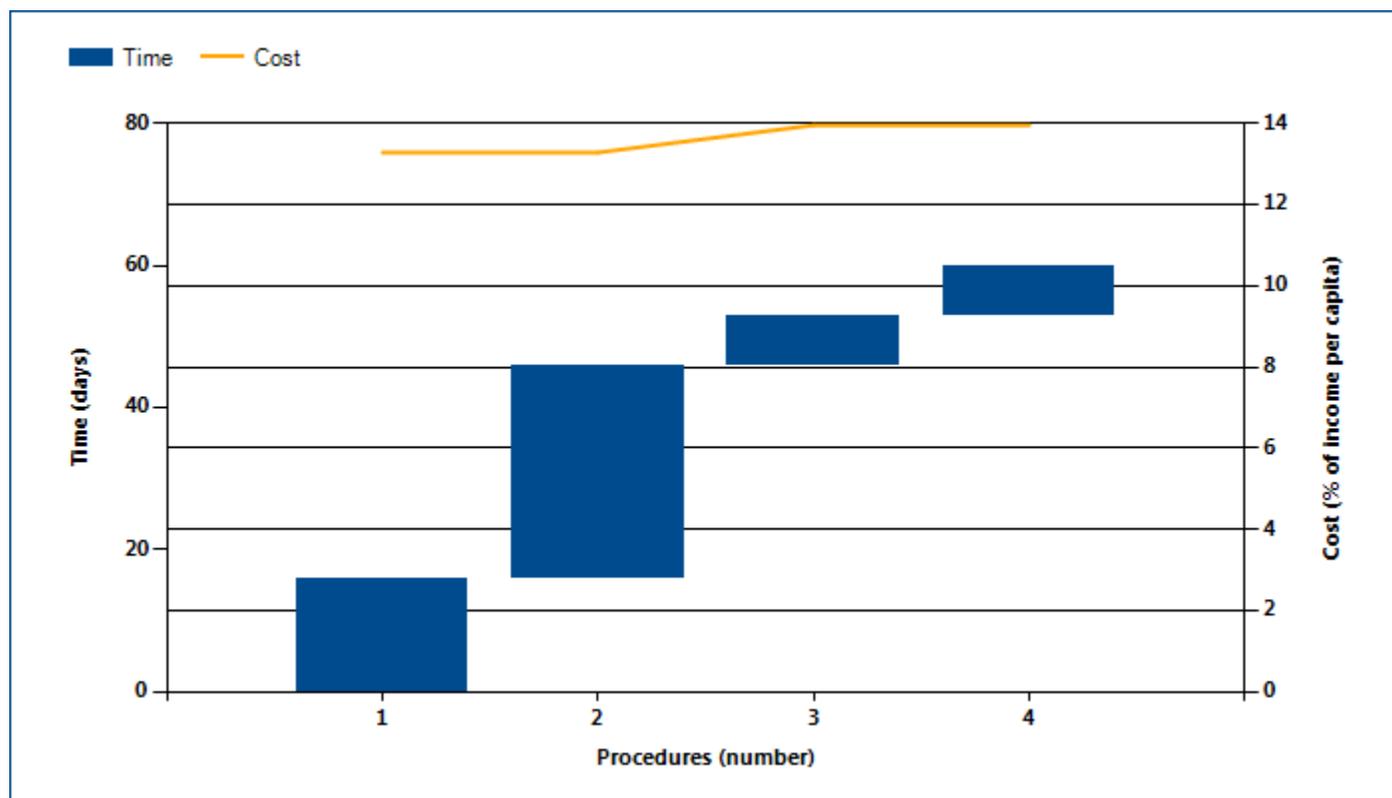
### Where does the economy stand today?

What does it take to obtain a new electricity connection in United States? According to data collected by *Doing Business*, getting electricity there requires 4.8 procedures, takes 89.6 days and costs 24.4% of income per capita (figure 4.1).

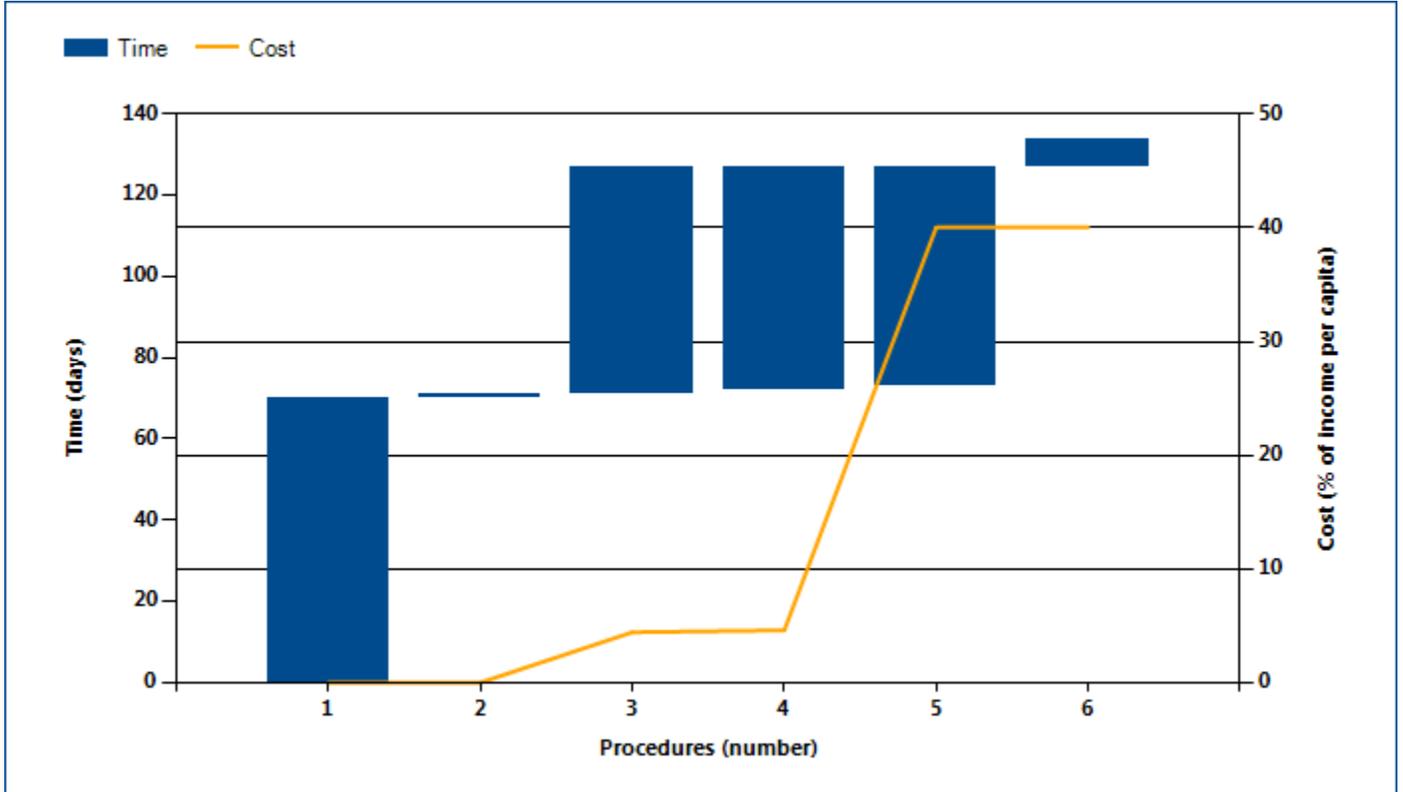
business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Most indicator sets refer to a case scenario in the largest

Figure 4.1 What it takes to obtain an electricity connection in United States - New York City



What it takes to obtain an electricity connection in United States - Los Angeles



Source: *Doing Business* database.

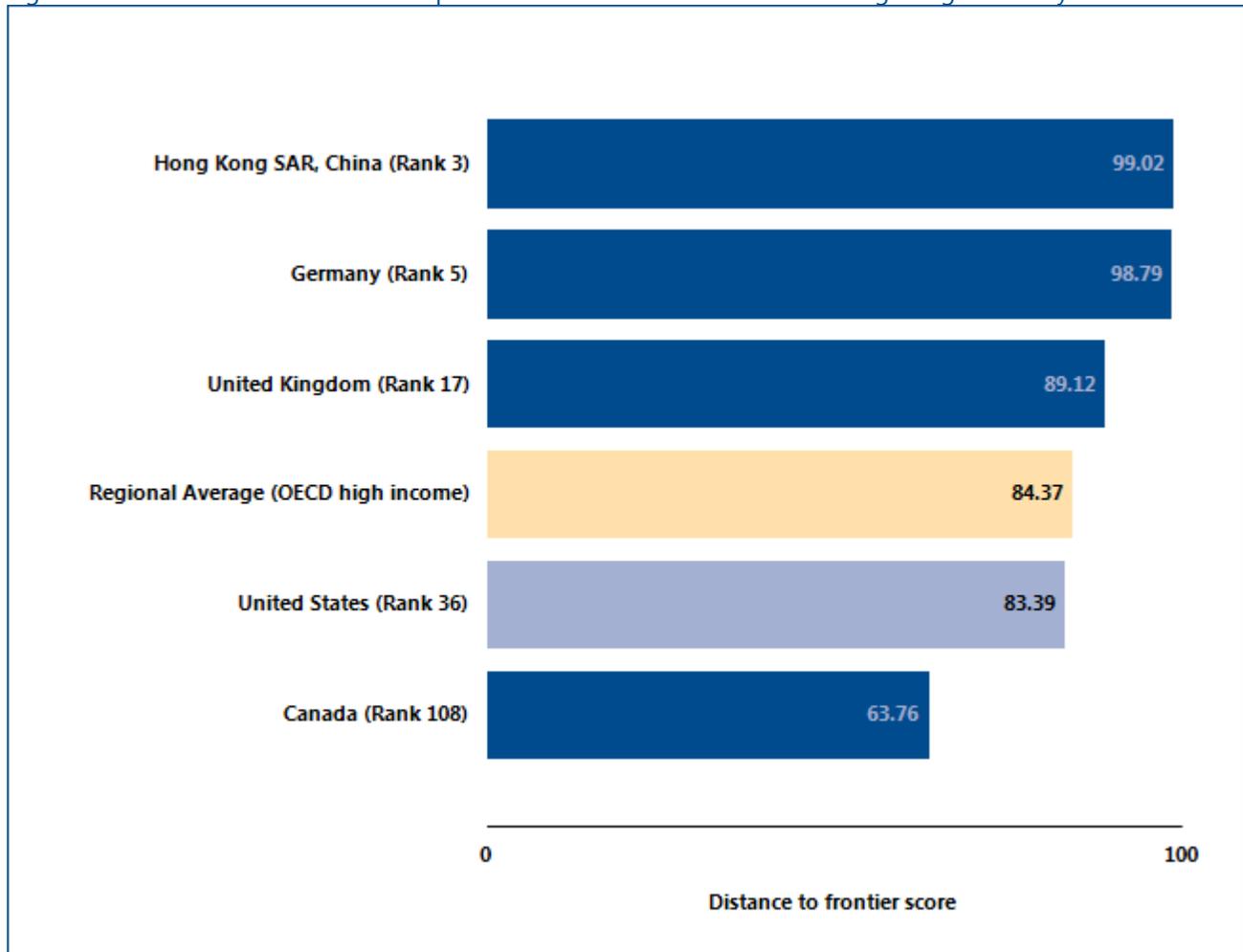
Note: Time shown in the figure above may not reflect simultaneity of procedures. For more information on the methodology of the getting electricity indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

### GETTING ELECTRICITY

Globally, United States stands at 36 in the ranking of 190 economies on the ease of getting electricity (figure 4.2). The rankings for comparator economies and the regional

average ranking provide another perspective in assessing how easy it is for an entrepreneur in United States to connect a warehouse to electricity.

Figure 4.2 How United States and comparator economies rank on the ease of getting electricity



Source: Doing Business database.

## GETTING ELECTRICITY

### What are the details?

The indicators reported here for United States are based on a set of specific procedures—the steps that an entrepreneur must complete to get a warehouse connected to electricity by the local distribution utility—identified by *Doing Business*. Data are collected from the distribution utility, then completed and verified by electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility surveyed is the one serving the area (or areas) in which warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

The procedures are those that apply to a warehouse and electricity connection matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

#### OBTAINING AN ELECTRICITY CONNECTION\*

<b>Name of utility - Los Angeles:</b>	<b>Los Angeles Department of Water and Power</b>
<b>Name of utility - New York City:</b>	<b>Con Edison</b>
<b>Price of electricity (US cents per kWh) - Los Angeles:</b>	<b>17.2</b>
<b>Price of electricity (US cents per kWh) - New York City:</b>	<b>23.1</b>
<b>City:</b>	<b>New York City, Los Angeles</b>

\*Price is calculated as a monthly consumption of 26,880 kWh for business customers, based on a standardized case study adopted by the Getting Electricity methodology. *Doing Business* measures the price of electricity but does not include these data when calculating the distance to frontier score for getting electricity or the ranking on the ease of getting electricity.

Table 4.2 Summary of time, cost and procedures for getting electricity in United States

No.	Procedure	Time to complete	Cost to complete
1	<p><b>File contractor work request with Con Edison and receive service layout</b></p> <p>Application for service may be made by mail, fax or by using Con Edison web site at <a href="http://www.coned.com/es/">www.coned.com/es/</a>. However, written confirmation is required.</p> <p>The customer or their contractor should consult Con Edison regarding the characteristics of service available before plans are completed, equipment purchased or construction started on facilities to be connected to the company's distribution system. Information the customer or their contractor furnishes Con Edison with regard to the customer's proposed electrical installation, must be in writing. The</p>	16 calendar days	USD 7,500

No.	Procedure	Time to complete	Cost to complete
	<p>company has Electrical Contractor or Work Request Pads for your convenience. Only licensed electricians can conduct electrical connections. The licensing is done by the City of NY. The electrician hired by customer should be a licensed master electrician. The licensing is done by the City of New York. The service layout usually requires an inspection by Coned's staff who then give the technical conditions on the spot. After that the electrician can start the works. The electrician could have completed the works until the panels/ switchboard before Coned comes and inspects and then only do the wiring when they know from Coned where the service room is going to be. If the electrician however, wants to avoid to have to re-wire, they can first wait for the service layout that tells them where the service room should be. The electrician is in charge of all the works until the connection point. The connection point should be on the customer's land and within a distance of 10 feet from the property line (border between public and private lands), which we assume here. The service layout usually require an inspection by Coned's staff who then give the technical conditions on the spot. After that the electrician can start the works. Now, the electrician could have completed the works until the panels/ switchboard before Coned comes and inspects and then only do the wiring when they know from Coned where the service room is going to be, etc. If they want to avoid to have to re-wire though, they can first wait for the service layout that tells them where the service room should be. The electrician is in charge of all the works until the connection point. The connection point should be on the customer's land and within a distance of 10 feet from the property line (border between public and private lands).</p> <p><i>Agency: Coned</i></p>		
2	<p><b>Submit final checklist to Con Edison, pay security deposit and request and receive external works</b></p> <p>The security deposit will not be recorded as it is refunded to the customer in 3 months time. The security deposit amount is twice the average monthly usage. Con Edison representative performs an inspection to verify that the site is ready for service construction (property-line box or sweep is installed, area graded to within 6" of final grade, curbs are installed, sewer &amp; water lines installed, etc.). Electrician submits final checklist to Coned, requests and receives the works. The works consist of laying out a cable from the connection point to the closest supply source on the LV network (usually a manhole and not necessarily all the way to the distribution transformer). The works by Coned can be carried out in parallel with the electrician's works.</p> <p><i>Agency: Coned</i></p>	30 calendar days	USD 0

No.	Procedure	Time to complete	Cost to complete
3	<p><b>Request and receive internal wiring inspection by NYC Department of Buildings</b></p> <p>The NY Building Dept Electric division inspector does the internal and external wiring inspection once all wiring and connections are final. This step is usually carried out after electricity has been turned on, and is not a requirement to obtain supply. It is required however in order to obtain an occupancy permit. If the inspector finds that everything is ok, he submits his report to the clerk in the NY Buildings office, who files it, and then publishes the Certificate of Completion online on the NY Buildings Website. This is usually done on the same day or next business day after inspection.</p> <p>The actual application for Certificate of Internal Inspection is done by the electrician before internal wiring commences. The Dept of Buildings then issues a Control Number to the electrician.</p> <p><i>Agency: NY Dept. of Buildings</i></p>	7 calendar days	USD 380
4	<p><b>Request meter installation and electricity turn-on from Con Edison</b></p> <p>The electrician contacts the utility to inform them that the certificate of completion has been obtained, gives them the Dept of Buildings Control Number, and requests the utility to turn electricity on.</p> <p><i>Agency: Coned</i></p>	7 calendar days	USD 0

\* Takes place simultaneously with previous procedure.

Source: *Doing Business* database.

#### Summary of time, cost and procedures for getting electricity in United States - Los Angeles

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Submit application materials and await commitment letter</b></p> <p>At the time of initial contact with the utility office, customer provides the following items:</p> <ol style="list-style-type: none"> <li>A completed Service Planning Information sheet</li> <li>Electrical plans including load schedules, single-line diagrams, and equipment elevation drawings.</li> <li>Plot, grading, elevation, and site improvement plans.</li> <li>Any additional information requested by the service planner needed to assist the Department in finalizing the customer's plans.</li> </ol> <p><i>Agency: Los Angeles Department of Water and Power</i></p>	70 calendar days	USD 0

No.	Procedure	Time to complete	Cost to complete
2	<p><b>Receive commitment letter and request and receive external site inspection</b></p> <p>Once the utility has reviewed the project, they provide a commitment letter. After receiving the commitment letter, the customer contacts the utility's Electric Service Representative to schedule a site inspection. . The utility engineer visits the warehouse to locate the site of the transformer and connection</p> <p><i>Agency: Los Angeles Department of Water and Power</i></p>	1 calendar day	USD 0
3	<p><b>Await completion of external works by utility</b></p> <p>The utility furnishes the customer with a commitment letter, along with estimated cost. The cost of transformer itself is borne by the utility. The customer is charged for certain administrative fees and taxes. The connection works project could be sent out for bid by the utility depending on the utility's work load.</p> <p>With regards to transformer installation at customer premises, the utility furnishes and installs:</p> <p>(a) All electrical equipment at, or in, the installation except for equipment which is provided by the customer as specified in the utility's customer requirement drawings.</p> <p>(b) Conductors supplying the primary side of the utility-owned transformers and secondary distribution conductors to supply points.</p> <p>(c) Service supply conductors from the utility-owned transformer, or supply point, to the point of service.</p> <p>(5) The customer shall furnish and install all facilities specified by the utility on the Customer requirement drawings, including:</p> <p>(a) Cable bus structures from the terminating room or enclosure to the service terminating enclosure when required or approved for use by the customer station design engineer. The Department will furnish and supply the conductors.</p> <p>(b) Busway service (bus duct) from the transformer room or enclosure to the point of service when approved for use by the customer station design engineer. The bus duct will be owned and maintained by the customer at the customer's cost.</p> <p><i>Agency: Los Angeles Department of Water and Power</i></p>	56 calendar days	USD 2,500
* 4	<p><b>Submit internal wiring plan to obtain electrical permit and internal wiring inspection</b></p> <p>The customer's electrical contractor applies for a electrical permit with the Los Angeles Department of Building &amp; Safety. This permit can be applied for online. The contractor needs to specify the type of work, and pay the necessary fees online. Once the contractor has received the permit number online, he can request for an inspection (this request can</p>	21 calendar days	USD 97.2

No.	Procedure	Time to complete	Cost to complete
	<p>be done online or by phone). The proposed date of the inspection is then informed to the contractor.</p> <p><i>Agency: Los Angeles Department of Building and Safety</i></p>		
* 5	<p><b>Hire private contractor to undertake civil works</b></p> <p>Customer's contractor undertakes underground wiring, excavation, conduits, construction of concrete slab.</p> <p><i>Agency: Customer's contractor</i></p>	14 calendar days	USD 20,000
6	<p><b>Submit application for energizing connection and receive meter installation and electricity flow</b></p> <p>Customer's contractor applies online for "turn on" of electricity, providing details of connection and proof of electrical permit approval by Los Angeles Department of Building and Safety. Contractor calls the utility for scheduling of inspection of power release.</p> <p><i>Agency: Los Angeles Department of Water and Power</i></p>	7 calendar days	USD 0

\* Takes place simultaneously with previous procedure.

Source: *Doing Business* database.

## GETTING ELECTRICITY

### Reliability of supply and transparency of tariffs index

The reliability of supply and transparency of tariffs index encompasses quantitative data on the duration and frequency of power outages as well as qualitative information on the mechanisms put in place by the utility for monitoring power outages and restoring power supply, the reporting relationship between the utility and the regulator for power outages, the transparency and accessibility of tariffs and whether the utility faces a financial deterrent aimed at limiting outages (such as a requirement to compensate customers or pay fines when outages exceed a certain cap).

The index ranges from 0 to 8, with higher values indicating greater reliability of electricity supply and greater transparency of tariffs.

*Doing Business* uses the system average interruption duration index (SAIDI) and the system average interruption frequency index (SAIFI) to measure the duration and frequency of power outages in the largest business city of each economy (for 11 economies the data are also collected for the second largest business city). SAIDI is the average total duration of outages over the course of a year for each customer served, while SAIFI is the average number of service interruptions experienced by a customer in a year. Annual data (covering the calendar year) are collected from distribution utility companies and national regulators on SAIDI and SAIFI. Both SAIDI and SAIFI estimates include load shedding.

Table 4.3 Reliability of Supply and Transparency of Tariff Index in United States

	Answer (New York City)	Score (New York City)	Answer (Los Angeles)	Score (Los Angeles)
Reliability of supply and transparency of tariff index (0-8)		8.0		7.0
Total duration and frequency of outages per customer a year (0-3)		3.0		2.0
System average interruption duration index (SAIDI)	0.21		1.42	
System average interruption frequency index (SAIFI)	0.11		0.7	
Mechanisms for monitoring outages (0-1)		1.0		1.0
Does the distribution utility use automated tools to monitor outages?	Yes		Yes	
Mechanisms for restoring service (0-1)		1.0		1.0
Does the distribution utility use automated tools to restore service?	Yes		Yes	
Regulatory monitoring (0-1)		1.0		1.0
Does a regulator—that is, an entity separate from the utility—monitor the utility’s performance on reliability of supply?	Yes		Yes	
Financial deterrents aimed at limiting outages (0-1)		1.0		1.0

	Answer (New York City)	Score (New York City)	Answer (Los Angeles)	Score (Los Angeles)
Does the utility either pay compensation to customers or face fines by the regulator (or both) if outages exceed a certain cap?	Yes		Yes	
Communication of tariffs and tariff changes (0-1)		1.0		1.0
Are effective tariffs available online?	Yes		Yes	
Link to the website, if available online	www.coned.com/es/resources.asp		https://www.ladwp.com/ladwp/faces/wcnav_externalId/a-fr-elecrate-schel?_adf.ctrl-state=ky4hi9d9n_4&_afLoop=555001444222369	
Are customers notified of a change in tariff ahead of the billing cycle?	Yes		Yes	

	Answer (New York City)	Answer (Los Angeles)
Price of electricity (US cents per kWh)	23.1	17.2

Source: *Doing Business* database.

Note: If data on power outages is not collected or if the SAIFI index or SAIDI index are above the threshold of 100, the economy is not eligible to obtain a score in the Reliability of Supply and Transparency of Tariff Index. If SAIDI and SAIFI are 12 (equivalent to an outage of one hour each month) or below, a score of 1 is assigned. If SAIDI and SAIFI are 4 (equivalent to an outage of one hour each quarter) or below, 1 additional point is assigned. Finally, if SAIDI and SAIFI are 1 (equivalent to an outage of one hour per year) or below, 1 more point is assigned. *Doing Business* measures the price of electricity but does not include these data when calculating the distance to frontier score for getting electricity or the ranking on the ease of getting electricity. The price of electricity is measured in cents per kilowatt-hour. On the basis of the assumptions about monthly consumption, a monthly bill for a commercial warehouse in the largest business city of the economy is computed for the month of March (for 11 economies the data are also collected for the second largest business city). As noted, the warehouse uses electricity 30 days a month, from 9:00 a.m. to 5:00 p.m., so different tariff schedules may apply if a time-of-use tariff is available.

## REGISTERING PROPERTY

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. And where property is informal or poorly administered, it has little chance of being accepted as collateral for loans—limiting access to finance.

### What do the indicators cover?

*Doing Business* records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. In addition, this year *Doing Business* adds a new measure to the set of registering property indicators, an index of the quality of the land administration system in each economy. The ranking of economies on the ease of registering property is determined by sorting their distance to frontier scores for registering property. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned and perform general commercial activities in the economy's largest business city.
- Have 50 employees each, all of whom are nationals.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value and entire property will be transferred.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.

### WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

#### Procedures to legally transfer title on immovable property (number)

Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)

Registration in the economy's largest business city<sup>2</sup>

Postregistration (for example, filing title with the municipality)

#### Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day.

Procedure considered completed once final document is received

No prior contact with officials

#### Cost required to complete each procedure (% of property value)

Official costs only, no bribes

No value added or capital gains taxes included

#### Quality of land administration index (0-30)

- Has no mortgages attached, has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. There is no heating system.

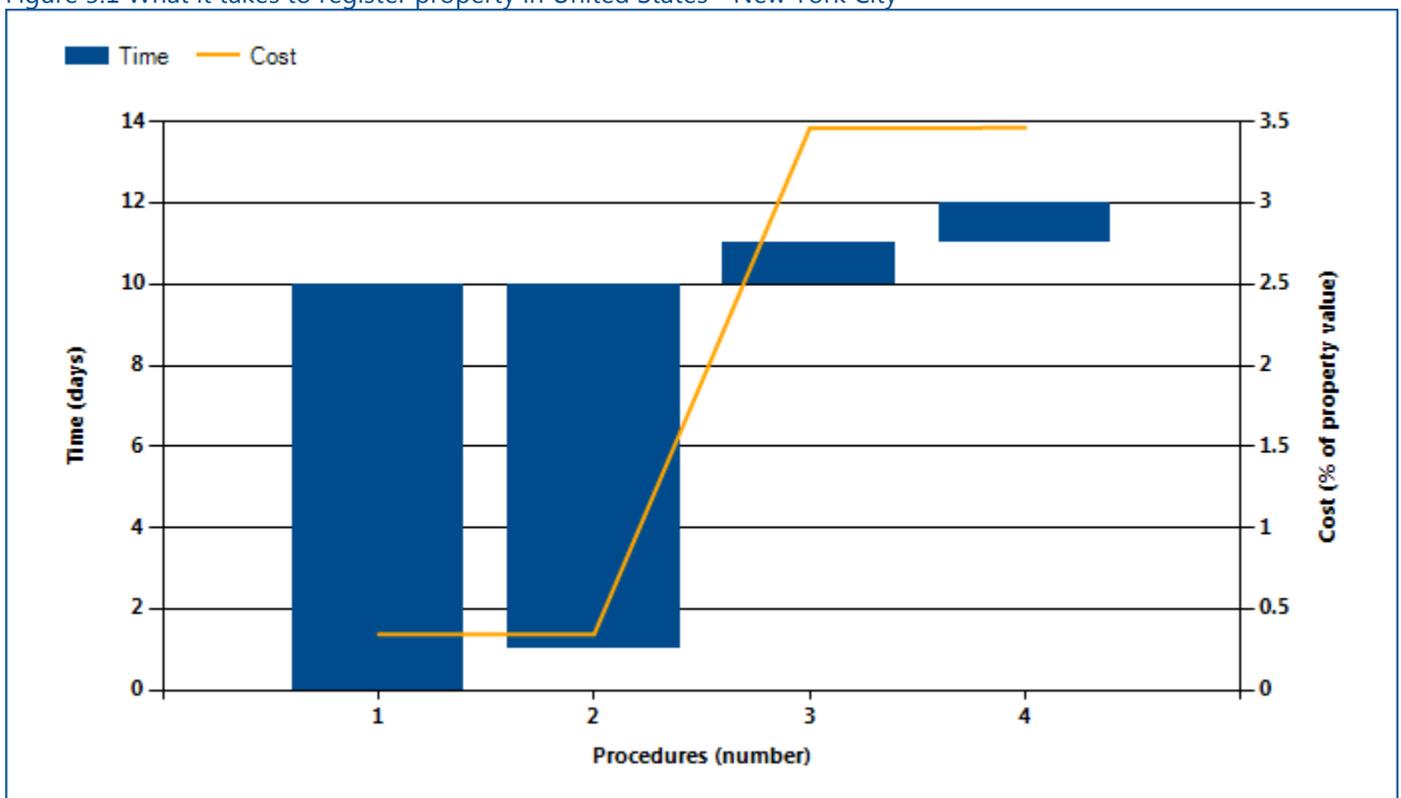
## REGISTERING PROPERTY

### Where does the economy stand today?

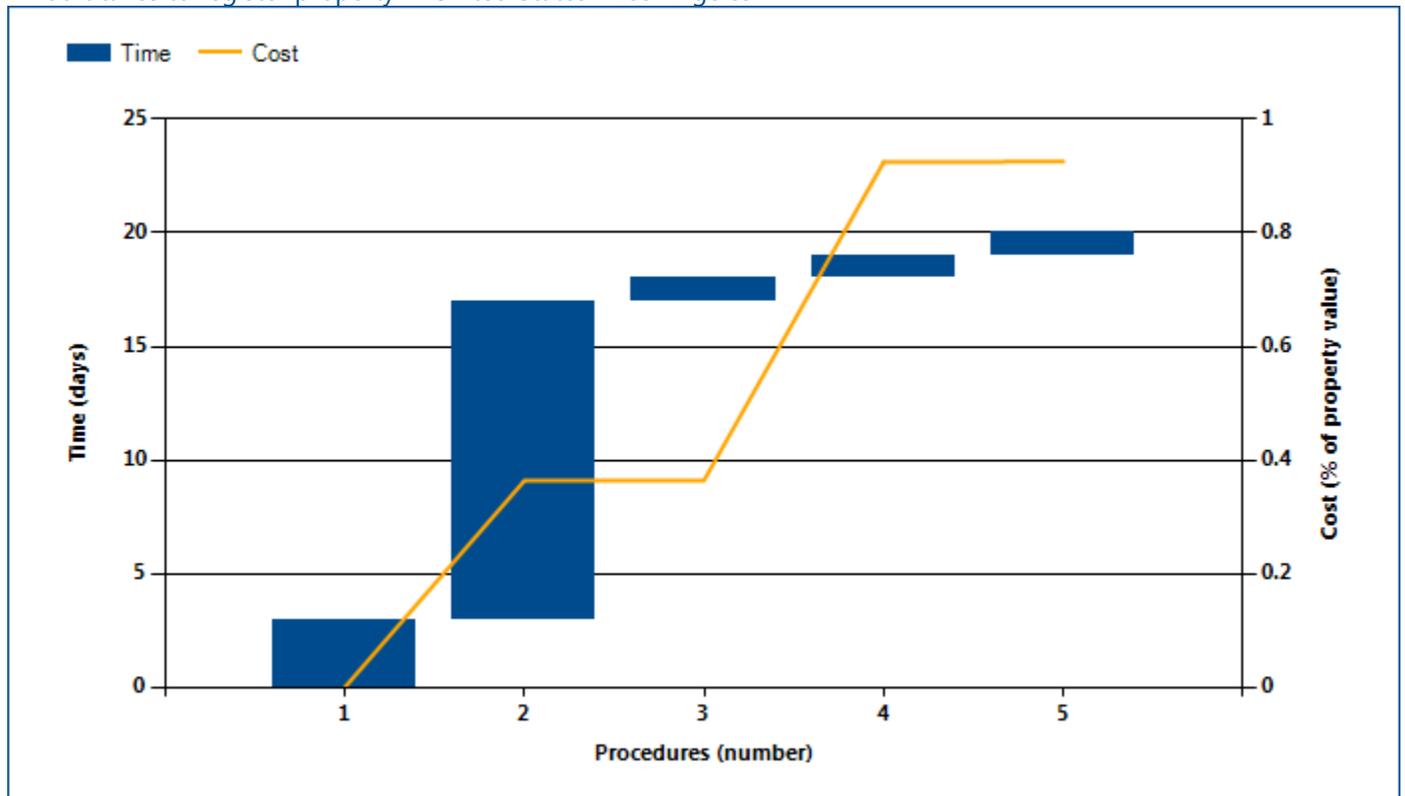
What does it take to complete a property transfer in United States? According to data collected by *Doing Business*, registering property there requires 4.4 procedures, takes 15.2 days and costs 2.4% of the property value (figure 5.1). The score on the quality of land administration index is 17.6

Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 5.1 What it takes to register property in United States - New York City



What it takes to register property in United States - Los Angeles



Source: *Doing Business* database.

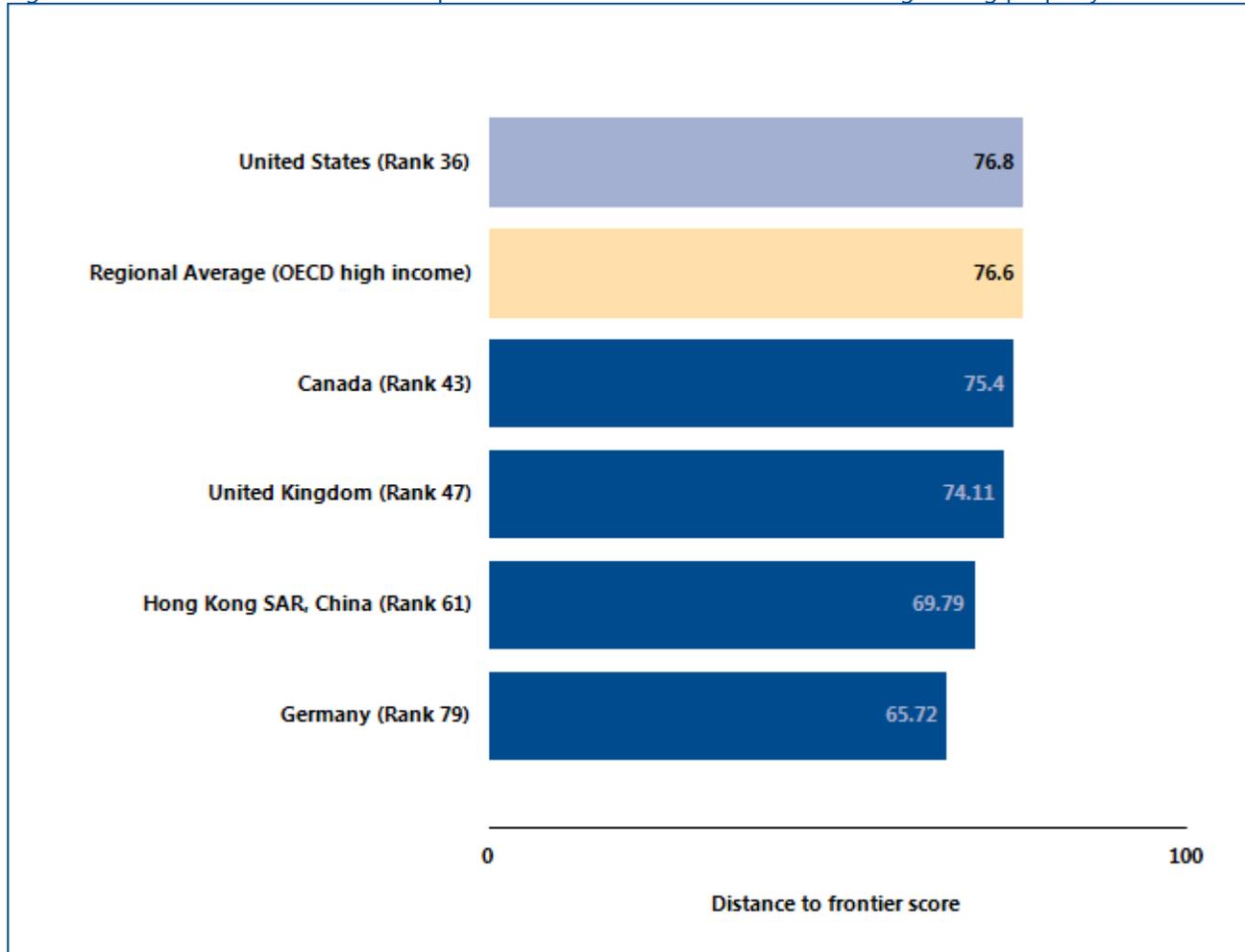
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the registering property indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

### REGISTERING PROPERTY

Globally, United States stands at 36 in the ranking of 190 economies on the ease of registering property (figure 5.2). The rankings for comparator economies and the

regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in United States to transfer property.

Figure 5.2 How United States and comparator economies rank on the ease of registering property



Source: Doing Business database.

## REGISTERING PROPERTY

### What are the details?

The indicators reported here are based on a set of specific procedures—the steps that a buyer and seller must complete to transfer the property to the buyer’s name—identified by *Doing Business* through information collected from local property lawyers, notaries and property registries. These procedures are those that apply to a transaction matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

STANDARD PROPERTY TRANSFER	
<b>Property value:</b>	<b>USD 2,821,855</b>
<b>City:</b>	<b>New York City, Los Angeles</b>

Table 5.2 Summary of time, cost and procedures for registering property in United States New York City

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Obtain a title report</b></p> <p>A title report is obtained from one of many competing private companies, regulated by the state. Fees for title insurance are set by state regulators. Fees for services vary. A title report is not technically mandatory, but is routinely used to analyze the quality of title. A title report is an essential prerequisite to securing title insurance. No title company would offer title insurance without a title report tracing the deed history and clearly articulating the liens, covenants and other limitations on title. A title report and title insurance are typically required by lenders. Most buyers purchase a title insurance to assure the title is clear (i.e. no defects in the title). One application for title report and title insurance is enough. Thus, no additional Procedure or time is needed. Banks usually require title insurance for a property to be accepted as a collateral for a loan. The cost of such title insurance is USD 9,500 given the assumptions of our case study, including the cost of the title report.</p> <p><i>Agency: Private Company</i></p>	About 10 days (simultaneous with Procedure 2)	9,500 (title report and title insurance)
* 2	<p><b>Conduct an environmental review</b></p> <p>The environmental review is typically conducted by a private firm specializing in the field. It is not technically mandatory, but a prudent investor will routinely require an environmental review and no bank would ever advance a commercial mortgage without conducting an environmental review. The environmental review may have up to 3 phases: 1. The history of the property in the public records is analyzed to check if there was any record of contamination or any violation. 2. If yes, an inspection of the property takes place, where some samples are taken 3. Clean-up phase if needed.</p>	Varies depending on factual circumstances (simultaneous with Procedure 1)  (According to the assumptions of the case study, it is assumed that no violation nor	Depends on nature and extent of contamination, if any

No.	Procedure	Time to complete	Cost to complete
	<p><i>Agency: Private Company</i></p>	<p>problem is found in the first phase of the review, and that the whole Procedure does not take more than the 10 days that it takes to obtain the title report in Procedure 1)</p>	
<p><b>3</b></p>	<p><b>The buyer obtains and fills the forms needed for the transfer</b></p> <p>All NYC transfers should be done using ACRIS system. It generates all of the required transfer tax forms, i.e. NYS Transfer Tax Form TP-584 regarding real estate transfer tax, and the NYS Real Property Transfer Report (Equalization) Form RP-5217, as well as necessary documents as smoke detector's affidavit, customer registration, etc. The state forms RP-5217 and TP-584 are available in many local government offices and on the Internet. Additionally, the property disclosure form is typically drafted by the attorney for the seller and given to the buyer prior to or at closing. The title deed is usually prepared by the seller. The fees for state forms RP-5217 and TP-584 are typically collected by the title company at closing, prior to recording, and must be paid to the state upon filing the deed for recording with the registry. It is common practice to obtain title insurance from one of the competing title insurance companies. (The cost of title insurance will cost \$9,500). The title insurance can only be acquired at closing, after the transaction has been completed between buyer and seller and the price has been paid. Where financing is involved, the lender typically requires the purchaser to obtain insurance as a condition of the loan. There is a separate mortgage recording tax required to be paid, in addition to the real property transfer tax. Real property transfer tax is paid by the seller at rates 0.4% for NYS transfer tax and 2.625% for NYC transfer tax (of property value exceeding \$500,000). The title insurance company will take the responsibility of recording the title at the county clerk.</p> <p><i>Agency: Office of the City Register</i></p>	<p>1 day</p>	<p>Filing fee for state form RP-5217 is \$250 + Filing fee for state form TP-584 is \$5 + 2.625% of property value greater than \$500 000 (NYC transfer tax) + \$2.00/500 of property value (NYS transfer tax)</p>
<p><b>4</b></p>	<p><b>The title is recorded with the County Clerk</b></p> <p>The transfer deed (together with the applicable tax forms and payment) is then presented to the applicable public official, e.g. county clerk, for recordation in the public records of the jurisdiction. The date of acceptance of the deed by the clerk is the date which controls for transfer purposes. Nonetheless, it often can take many weeks (and even months) for the actual recordation to take place and become available on the public record. However, the transaction is valid and opposable to</p>	<p>1 day</p>	<p>\$32 + \$5 cover page + \$5 per page (assuming that the title consists of about 12 pages)</p>

No.	Procedure	Time to complete	Cost to complete
	<p>third parties on the date it is submitted.                      Although the law states that title passes upon delivery of the deed, where there are competing claims the law recognizes the 1st recorded deed.                      The title insurance company usually takes the responsibility of recording the title at the County Clerk, paying the fees for state forms RP-5217 and TP-584 .</p> <p>The documentation shall include:                      Title deed                      NYS Real Property form TP-584 on real estate transfer tax                      Property Disclosure Form                      Real Property form RP-5217                      Title Insurance</p> <p><i>Agency: County Clerk</i></p>		

\* Takes place simultaneously with another procedure.

Source: Doing Business database.

Note: Online procedures account for 0.5 days in the total time calculation.

Summary of time, cost and procedures for registering property in United States Los Angeles

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Obtain a title report</b></p> <p>The preliminary title report is to investigate any outstanding issues on the property such as easements or dues to utility companies, existing mortgages on the property, and CC&amp;Rs (Covenants, Conditions and Restrictions which are rules and restrictions placed on the property by the owners association, etc.)</p> <p><i>Agency: Private company</i></p>	About 3 days	Included in procedure 2
2	<p><b>Obtain Title Insurance policy (Environmental requirement and inspections)</b></p> <p>Parties sign an escrow agreement. The agreement would usually allow for a period of 30 days for due diligence checks and is subject to certain contingencies (i.e. the property meeting the contingency requirements to move forward with the sale). At the end of this period, the buyer's deposit will no longer be refundable. During this period, a variety of inspections take place. The checks may be completed before this period ends, but cannot exceed this period. In the due-diligence phase, the two following requirements have to be undertaken: - Phase I Environmental inspection. This is a visual inspection to check if there are any hazardous materials such as oil stains or chemicals on the property</p>	2 weeks	USD 10,003 (Title Insurance, Escrow, Environmental report, Natural Hazards Disclosure report)

No.	Procedure	Time to complete	Cost to complete
	<p>or if it is located near or formerly used as a gas station or dry cleaners for instance. - Natural Hazards Disclosure Statement (usually ordered online by the escrow company and provided to the Buyer; it is public data. This Report is required by law as of 1998 for all real estate transactions in California: Assembly Bill 1195 now known as California Civil Code 1103. It mandates 3 natural hazard disclosures into one statutory form: Seismic, fire and floods, given that California is especially sensitive to seismic movements and earthquakes. More information can be found here: <a href="http://archive.calbar.ca.gov/calbar/2cbj/99aug/mclestdy.htm">http://archive.calbar.ca.gov/calbar/2cbj/99aug/mclestdy.htm</a>)</p> <p><i>Agency: Private company</i></p>		
<p><b>3</b></p>	<p><b>Sign and Notarize Deed with a Notary Public</b></p> <p><i>Agency: Notary</i></p>	<p>1 day</p>	<p>USD 20</p>
<p><b>4</b></p>	<p><b>The buyer obtains and fills the forms needed for the transfer</b></p> <p>Documentary Transfer Tax Los Angeles City charges \$4.5 per 1,000 and Los Angeles County (according to LA City Ordinance) charges \$1.10 per 1,000 (or 0.55 cents per \$500, rounding up to the highest \$500 according to the California Revenue and Taxation Code)</p> <p><i>Agency: Los Angeles County Treasurer and tax collector</i></p>	<p>1 day</p>	<p>USD 4.5 per 1,000 (Los Angeles City) and USD 1.1 per 1000 (Los Angeles County)</p>
<p><b>5</b></p>	<p><b>The title is recorded with the County Clerk</b></p> <p>To record the deed, the following documents must be filed: - Notarized Deed - Preliminary Change of Ownership Form (If this is not filed, a USD 20 fee is added per Revenue and Taxation Code 480.3) - Declaration of Documentary Transfer Tax These forms can be obtained from the website of the RRCC: <a href="http://www.lavote.net/recorder/Document_Recording.cfm">http://www.lavote.net/recorder/Document_Recording.cfm</a> The recording fees are: - Base Fee, \$10.00 (Cal. Govt. Code § 27361(a)); - First Page, \$1.00 (Cal. Govt. Code §27361.4(a), (b), and (c)); - Each additional page, \$3.00; - Electronic recording fee, \$1.00 (Cal. Govt. Code § 27397(c)(1)). - Special Real Estate Fraud Prosecution Program Fee, \$4.00; - Social Security Number Truncation Program, \$1.00 (AB 1168, § 627)</p> <p><i>Agency: County clerk's office</i></p>	<p>1 day</p>	<p>USD 23</p>

\* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: *Doing Business* database.

## REGISTERING PROPERTY

### Quality of land administration

The quality of land administration index is the sum of the scores on the reliability of infrastructure, transparency of information, geographic coverage and land dispute resolution indices.

The index ranges from 0 to 30, with higher values indicating better quality of the land administration system.

If private sector entities were unable to register property transfers in an economy between June 2014 and June 2015, the economy receives a “no practice” mark on the procedures, time and cost indicators. A “no practice” economy receives a score of 0 on the quality of land administration index even if its legal framework includes provisions related to land administration.

Table 5.3 Summary of quality of land administration in United States

	Answer (New York City)	Score (New York City)	Answer (Los Angeles)	Score (Los Angeles)
Quality of the land administration index (0-30)		18.0		17.0
Reliability of infrastructure index (0-8)		7.0		7.0
What is the institution in charge of immovable property registration?	Office of the City Register		Los Angeles County Recorder Office	
In what format are the majority of title or deed records kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)?	Computer/Scanned	1.0	Computer/Fully digital	2.0
Is there an electronic database for checking for encumbrances (liens, mortgages, restrictions and the like)?	Yes	1.0	Yes	1.0
In what format are the majority of maps of land plots kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)?	Computer/Fully digital	2.0	Computer/Fully digital	2.0
Is there an electronic database for recording boundaries, checking plans and providing cadastral information (geographic information system)?	Yes	1.0	Yes	1.0
Is the information recorded by the immovable property registration agency and the cadastral or mapping agency kept in a single database, in different but linked databases or in separate databases?	Different databases but linked	1.0	Separate databases	0.0
Do the immovable property registration agency and cadastral or mapping agency use the same identification number for properties?	Yes	1.0	Yes	1.0

	Answer (New York City)	Score (New York City)	Answer (Los Angeles)	Score (Los Angeles)
Transparency of information index (0–6)		3.0		3.5
Who is able to obtain information on land ownership at the agency in charge of immovable property registration in the largest business city?	Freely accessible by anyone	1.0	Freely accessible by anyone	1.0
Is the list of documents that are required to complete any type of property transaction made publicly available—and if so, how?	Yes, online	0.5	Yes, online	0.5
Link for online access:	<a href="http://a836-acris.nyc.gov/CP/">http://a836-acris.nyc.gov/CP/</a>		<a href="http://www.lavote.net/home/records/real-estate-records/general-info">http://www.lavote.net/home/records/real-estate-records/general-info</a>	
Is the applicable fee schedule for any property transaction at the agency in charge of immovable property registration in the largest business city made publicly available—and if so, how?	Yes, online	0.5	Yes, online	0.5
Link for online access:	<a href="https://a836-acris.nyc.gov/CP/CoverPage/CalculateTaxes">https://a836-acris.nyc.gov/CP/CoverPage/CalculateTaxes</a>		<a href="https://www.lavote.net/home/records/property-document-recording/fees">https://www.lavote.net/home/records/property-document-recording/fees</a>	
Does the agency in charge of immovable property registration commit to delivering a legally binding document that proves property ownership within a specific time frame—and if so, how does it communicate the service standard?	No	0.0	No	0.0
Link for online access:				
Is there a specific and separate mechanism for filing complaints about a problem that occurred at the agency in charge of immovable property registration?	No	0.0	No	0.0
Are there publicly available official statistics tracking the number of transactions at the immovable property registration agency?	No	0.0	No	0.0
Number of property transfers in the largest business city in 2015:				

	Answer (New York City)	Score (New York City)	Answer (Los Angeles)	Score (Los Angeles)
Who is able to consult maps of land plots in the largest business city?	Freely accessible by anyone	0.5	Freely accessible by anyone	0.5
Is the applicable fee schedule for accessing maps of land plots made publicly available—and if so, how?	No cost	0.5	No cost	0.5
Link for online access:				
Does the cadastral or mapping agency commit to delivering an updated map within a specific time frame—and if so, how does it communicate the service standard?	No	0.0	No	0.0
Link for online access:				
Is there a specific and separate mechanism for filing complaints about a problem that occurred at the cadastral or mapping agency?	No	0.0	Yes	0.5
Geographic coverage index (0–8)		4.0		4.0
Are all privately held land plots in the economy formally registered at the immovable property registry?	No	0.0	No	0.0
Are all privately held land plots in the largest business city formally registered at the immovable property registry?	Yes	2.0	Yes	2.0
Are all privately held land plots in the economy mapped?	No	0.0	No	0.0
Are all privately held land plots in the largest business city mapped?	Yes	2.0	Yes	2.0
Land dispute resolution index (0–8)		4.0		2.5
Does the law require that all property sale transactions be registered at the immovable property registry to make them opposable to third parties?	No	0.0	No	0.0
Is the system of immovable property registration subject to a state or private guarantee?	Yes	0.5	Yes	0.5
Is there a specific compensation mechanism to cover for losses incurred by parties who engaged in good faith in a property transaction based on erroneous information certified by the immovable property registry?	Yes	0.5	No	0.0
Does the legal system require a control of legality of the documents necessary for a property transaction	Yes	0.5	Yes	0.5

	Answer (New York City)	Score (New York City)	Answer (Los Angeles)	Score (Los Angeles)
(e.g., checking the compliance of contracts with requirements of the law)?				
If yes, who is responsible for checking the legality of the documents?	Registrar; Lawyer.		Registrar; Lawyer; Interested Parties.	
Does the legal system require verification of the identity of the parties to a property transaction?	Yes	0.5	Yes	0.5
If yes, who is responsible for verifying the identity of the parties?	Registrar.		Notary.	
Is there a national database to verify the accuracy of identity documents?	No	0.0	No	0.0
For a standard land dispute between two local businesses over tenure rights of a property worth 50 times gross national income (GNI) per capita and located in the largest business city, what court would be in charge of the case in the first instance?	NYS Supreme Court		Los Angeles Superior Court	
How long does it take on average to obtain a decision from the first-instance court for such a case (without appeal)?	Between 1 and 2 years	2.0	Between 2 and 3 years	1.0
Are there any statistics on the number of land disputes in the first instance?	No	0.0	No	0.0
Number of land disputes in the largest business city in 2015:				
Equal access to property rights index (-2-0)		0.0		0.0
Do unmarried men and unmarried women have equal ownership rights to property?	Yes	0.0	Yes	0.0
Do married men and married women have equal ownership rights to property?	Yes	0.0	Yes	0.0

Source: *Doing Business* database.

## GETTING CREDIT

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders to view and consider a potential borrower's financial history (positive or negative) when assessing risk and they allow borrowers to establish a good credit history that will facilitate their access to credit. Sound collateral laws enable businesses to use their assets, especially movable property, as security to generate capital—while strong creditors' rights have been associated with higher ratios of private sector credit to GDP.

### What do the indicators cover?

*Doing Business* assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a credit registry or a credit bureau. The strength of legal rights index measures whether certain features that facilitate lending exist within the applicable collateral and bankruptcy laws. *Doing Business* uses two case scenarios, Case A and Case B, to determine the scope of the secured transactions system, involving a secured borrower and a secured lender and examining legal restrictions on the use of movable collateral (for more details on each case, see the Data Notes section of the *Doing Business 2017* report). These scenarios assume that the borrower:

- Is a domestic limited liability company.
- Has its headquarters and only base of operations in the largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.

### WHAT THE GETTING CREDIT INDICATORS MEASURE

#### Strength of legal rights index (0–12)

Rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

#### Depth of credit information index (0–8)

Scope and accessibility of credit information distributed by credit bureaus and credit registries

#### Credit bureau coverage (% of adults)

Number of individuals and firms listed in largest credit bureau as percentage of adult population

#### Credit registry coverage (% of adults)

Number of individuals and firms listed in credit registry as percentage of adult population

- Has up to 50 employees.
- Is 100% domestically owned, as is the lender.

The ranking of economies on the ease of getting credit is determined by sorting their distance to frontier scores for getting credit. These scores are the distance to frontier score for the strength of legal rights index and the depth of credit information index.

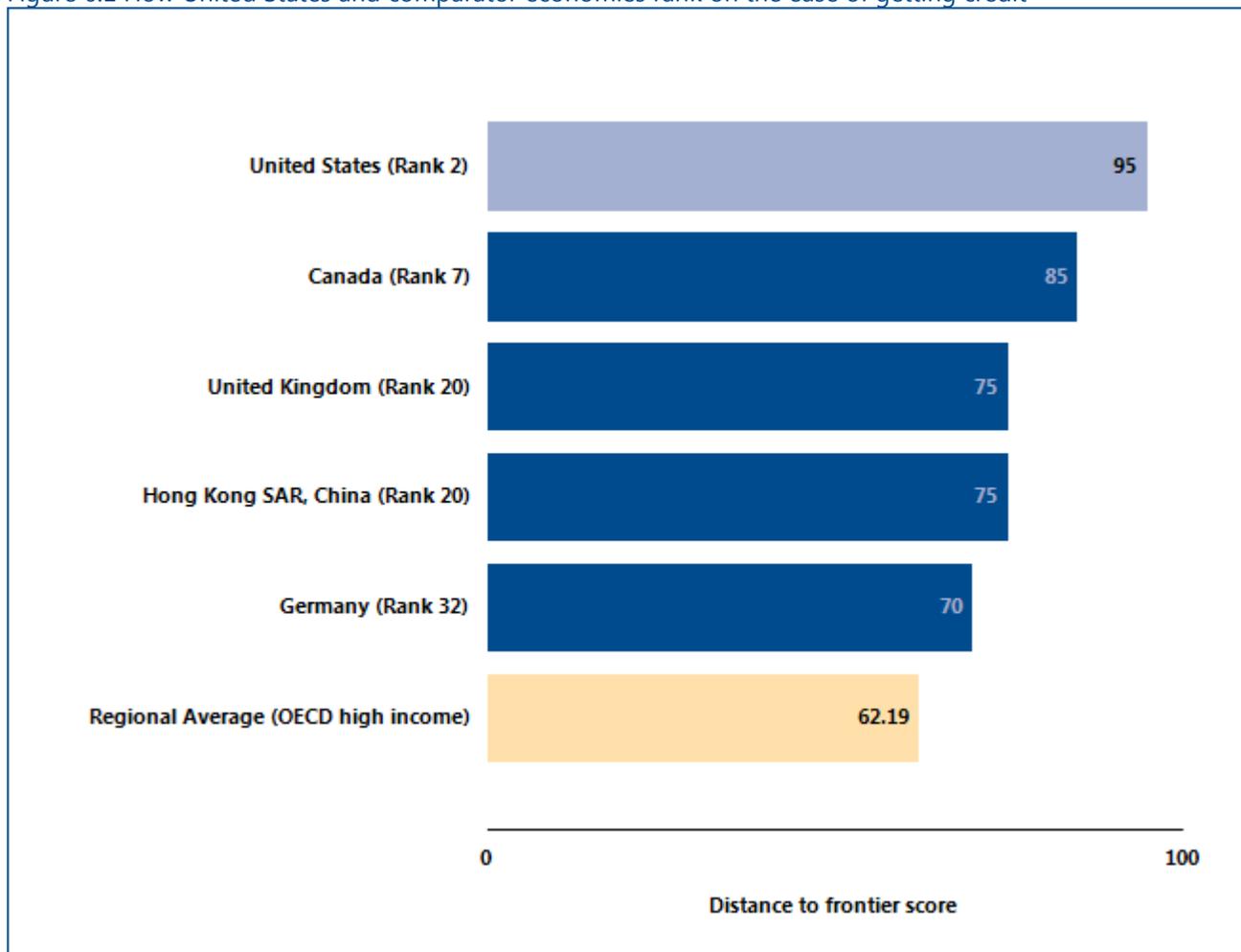
## GETTING CREDIT

### Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in United States facilitate access to credit? The economy has a score of 8.0 on the depth of credit information index and a score of 11.0 on the strength of legal rights index (see the summary of scoring at the end of this chapter for details). Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

Globally, United States stands at 2 in the ranking of 190 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies provide useful information for assessing how well regulations and institutions in United States support lending and borrowing.

Figure 6.1 How United States and comparator economies rank on the ease of getting credit



Source: Doing Business database.

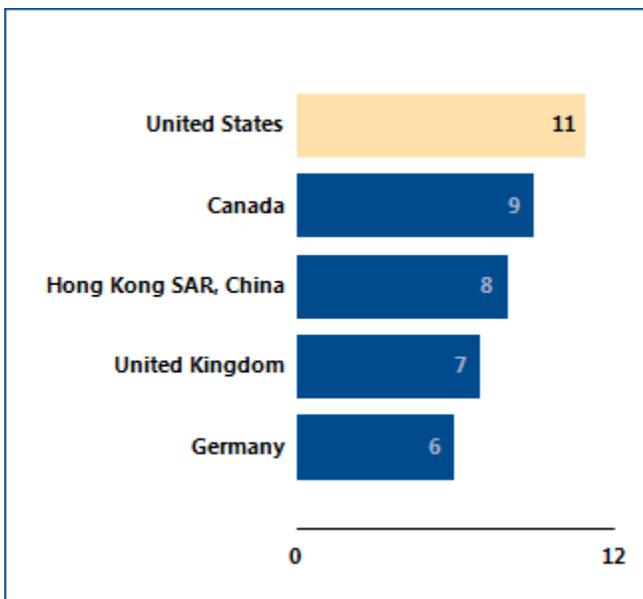
### GETTING CREDIT

One way to put an economy’s score on the getting credit indicators into context is to see where the economy stands in the distribution of scores across economies. Figure 6.2 highlights the score on the strength of legal

rights index for United States and shows the scores for comparator economies as well as the regional average score. Figure 6.3 shows the same for the depth of credit information index.

Figure 6.2 How strong are legal rights for borrowers and lenders?

Economy scores on strength of legal rights index

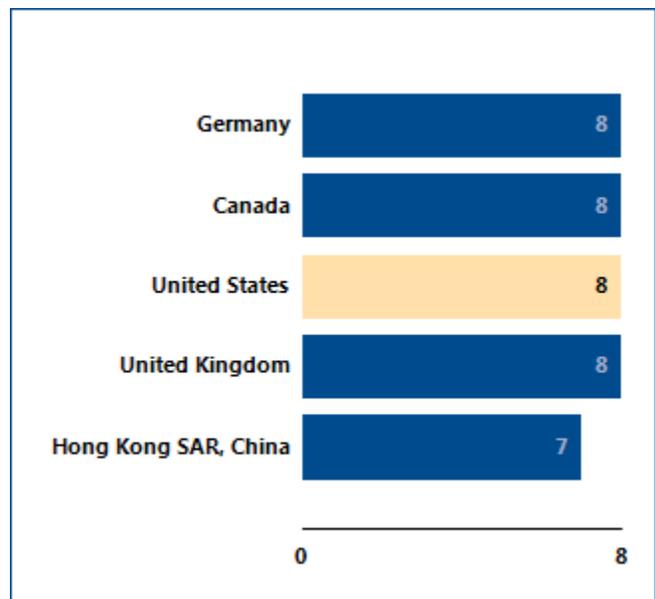


Source: Doing Business database.

Note: Higher scores indicate that collateral and bankruptcy laws are better designed to facilitate access to credit.

Figure 6.3 How much credit information is shared—and how widely?

Economy scores on depth of credit information index



Source: Doing Business database.

Note: Higher scores indicate the availability of more credit information, from either a credit registry or a credit bureau, to facilitate lending decisions. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

## GETTING CREDIT

### What are the details?

The getting credit indicators reported here for United States are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a credit registry and/or credit bureau (if one exists). To construct the depth of credit information index, a score of 1 is assigned for each of 8 features of the credit registry or credit bureau (see summary of scoring below).

The data on the legal rights of borrowers and lenders are gathered through a survey of financial lawyers and verified through analysis of laws and regulations as well as public sources of information on collateral and bankruptcy laws. For the strength of legal rights index, a score of 1 is assigned for each of 10 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law.

<b>Strength of legal rights index (0–12)</b>	<b>New York City Index score: 11.0</b>	<b>Los Angeles Index score: 11.0</b>
Does an integrated or unified legal framework for secured transactions that extends to the creation, publicity and enforcement of functional equivalents to security interests in movable assets exist in the economy?	1	1
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	1	1
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	1	1
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets?	1	1
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	1	1
Is a collateral registry in operation for both incorporated and non-incorporated entities, that is unified geographically and by asset type, with an electronic database indexed by debtor's name?	0	0
Does a notice-based collateral registry exist in which all functional equivalents can be registered?	1	1
Does a modern collateral registry exist in which registrations, amendments, cancellations and searches can be performed online by any interested third party?	1	1
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	1	1

<b>Strength of legal rights index (0–12)</b>	<b>New York City Index score: 11.0</b>	<b>Los Angeles Index score: 11.0</b>
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	1	1
Are secured creditors subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure? Does the law protect secured creditors' rights by providing clear grounds for relief from the stay and/or sets a time limit for it?	1	1
Does the law allow parties to agree on out of court enforcement at the time a security interest is created? Does the law allow the secured creditor to sell the collateral through public auction and private tender, as well as, for the secured creditor to keep the asset in satisfaction of the debt?	1	1

<b>Depth of credit information index (0–8)</b>	<b>Credit bureau</b>	<b>Credit registry</b>	<b>Index score: 8.0</b>
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative credit data distributed?	Yes	No	1
Are data from retailers or utility companies - in addition to data from banks and financial institutions - distributed?	Yes	No	1
Are at least 2 years of historical data distributed? (Credit bureaus and registries that erase data on defaults as soon as they are repaid or distribute negative information more than 10 years after defaults are repaid receive a score of 0 for this component.)	Yes	No	1
Are data on loan amounts below 1% of income per capita distributed?	Yes	No	1
By law, do borrowers have the right to access their data in the credit bureau or credit registry?	Yes	No	1
Can banks and financial institutions access borrowers' credit information online (for example, through an online platform, a system-to-system connection or both)?	Yes	No	1
Are bureau or registry credit scores offered as a value-added service to help banks and financial institutions assess the creditworthiness of borrowers?	Yes	No	1

*Note:* An economy receives a score of 1 if there is a "yes" to either bureau or registry. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

Coverage	Credit bureau	Credit registry
Number of individuals	220,000,000	0
Number of firms	23,987,763	0
Total	243,987,763	0
Total percentage of adult population	100.0	0.0

Source: *Doing Business* database.

## PROTECTING MINORITY INVESTORS

Protecting minority investors matters for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. Effective regulations define related-party transactions precisely, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set detailed standards of accountability for company insiders.

### What do the indicators cover?

*Doing Business* measures the protection of minority investors from conflicts of interest through one set of indicators and shareholders' rights in corporate governance through another. The ranking of economies on the strength of minority investor protections is determined by sorting their distance to frontier scores for protecting minority investors. These scores are the simple average of the distance to frontier scores for the extent of conflict of interest regulation index and the extent of shareholder governance index. To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange. If the number of publicly traded companies listed on that exchange is less than 10, or if there is no stock exchange in the economy, it is assumed that Buyer is a large private company with multiple shareholders.
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.
- Has a supervisory board (applicable to economies with a two-tier board system) on which 60% of the shareholder-elected members have been appointed by Mr. James, who is Buyer's controlling shareholder and a member of Buyer's board of directors.
- Has not adopted any bylaws or articles of association that differ from default minimum standards and does not follow any nonmandatory codes, principles, recommendations or guidelines relating to corporate governance.

### WHAT THE PROTECTING MINORITY INVESTORS INDICATORS MEASURE

#### Extent of disclosure index (0–10)

Review and approval requirements for related-party transactions; Disclosure requirements for related-party transactions

#### Extent of director liability index (0–10)

Ability of minority shareholders to sue and hold interested directors liable for prejudicial related-party transactions; Available legal remedies (damages, disgorgement of profits, fines, imprisonment, rescission of the transaction)

#### Ease of shareholder suits index (0–10)

Access to internal corporate documents; Evidence obtainable during trial and allocation of legal expenses

#### Extent of conflict of interest regulation index (0–10)

Simple average of the extent of disclosure, extent of director liability and ease of shareholder indices

#### Extent of shareholder rights index (0-10)

Shareholders' rights and role in major corporate decisions

#### Extent of ownership and control index (0-10)

Governance safeguards protecting shareholders from undue board control and entrenchment

#### Extent of corporate transparency index (0-10)

Corporate transparency on ownership stakes, compensation, audits and financial prospects

#### Extent of shareholder governance index (0–10)

Simple average of the extent of shareholders rights, extent of ownership and control and extent of corporate transparency indices

#### Strength of minority investor protection index (0–10)

Simple average of the extent of conflict of interest regulation and extent of shareholder governance indices

- Is a manufacturing company with its own distribution network.

The transaction involves the following details:

- Mr. James owns 60% of Buyer and elected two directors to Buyer's five-member board.
- Mr. James also owns 90% of Seller, a company that operates a chain of retail hardware stores. Seller recently closed a large number of its stores. Mr. James proposes that Buyer purchase Seller's unused fleet of trucks to expand Buyer's distribution of its food products, a proposal to which Buyer agrees. The price is equal to 10% of Buyer's assets and is higher than the market value.
- The proposed transaction is part of the company's ordinary course of business and is not outside the authority of the company.
- Buyer enters into the transaction. All required approvals are obtained, and all required disclosures made (that is, the transaction is not fraudulent).
- The transaction causes damages to Buyer. Shareholders sue Mr. James and the other parties that approved the transaction.

## PROTECTING MINORITY INVESTORS

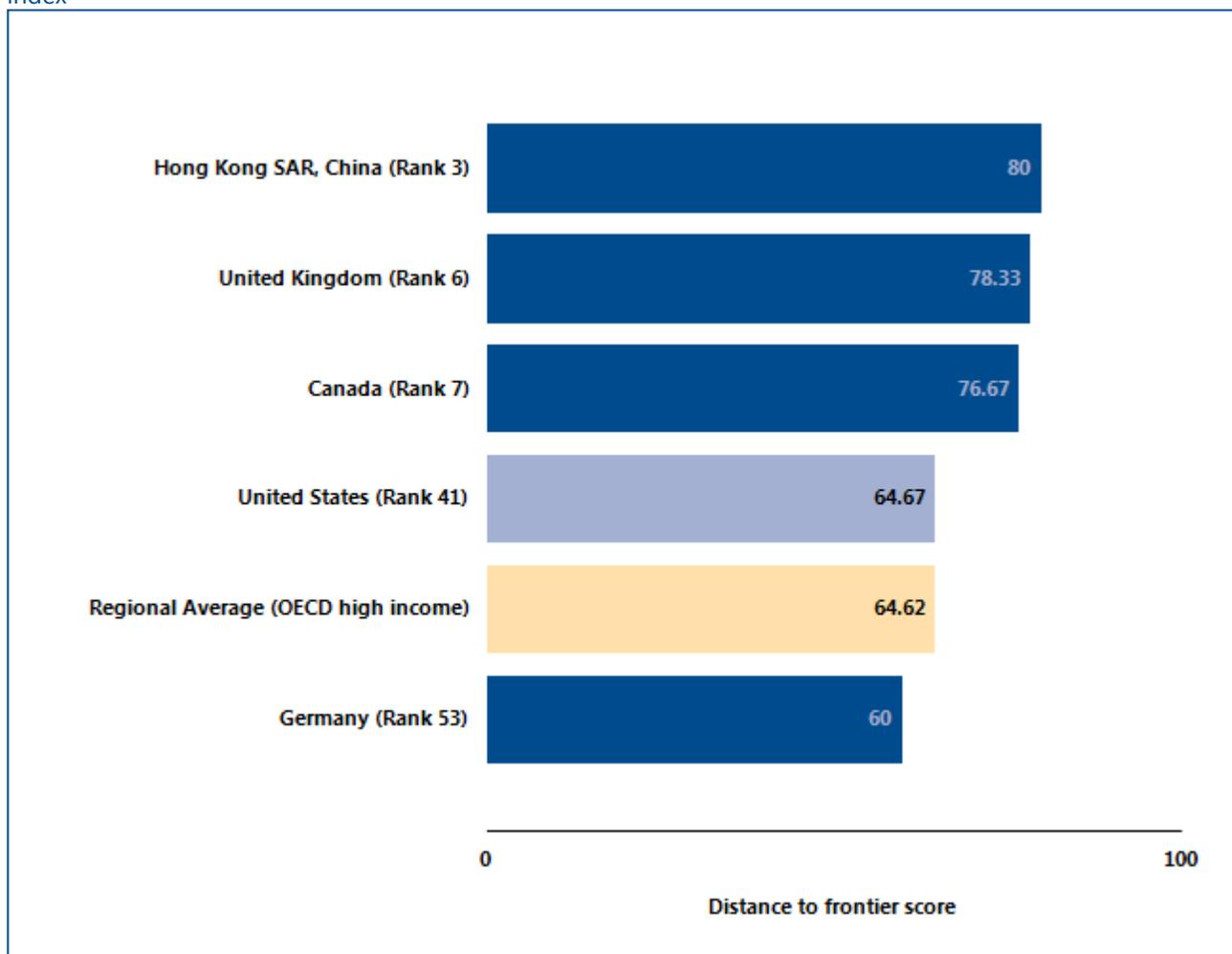
### Where does the economy stand today?

How strong are minority investor protections against self-dealing in United States? The economy has a score of 6.5 on the strength of minority investor protection index, with a higher score indicating stronger protections.

Globally, United States stands at 41 in the ranking of 190 economies on the strength of minority investor

protection index (figure 7.1). While the indicator does not measure all aspects related to the protection of minority investors, a higher ranking does indicate that an economy’s regulations offer stronger minority investor protections against self-dealing in the areas measured.

Figure 7.1 How United States and comparator economies perform on the strength of minority investor protection index



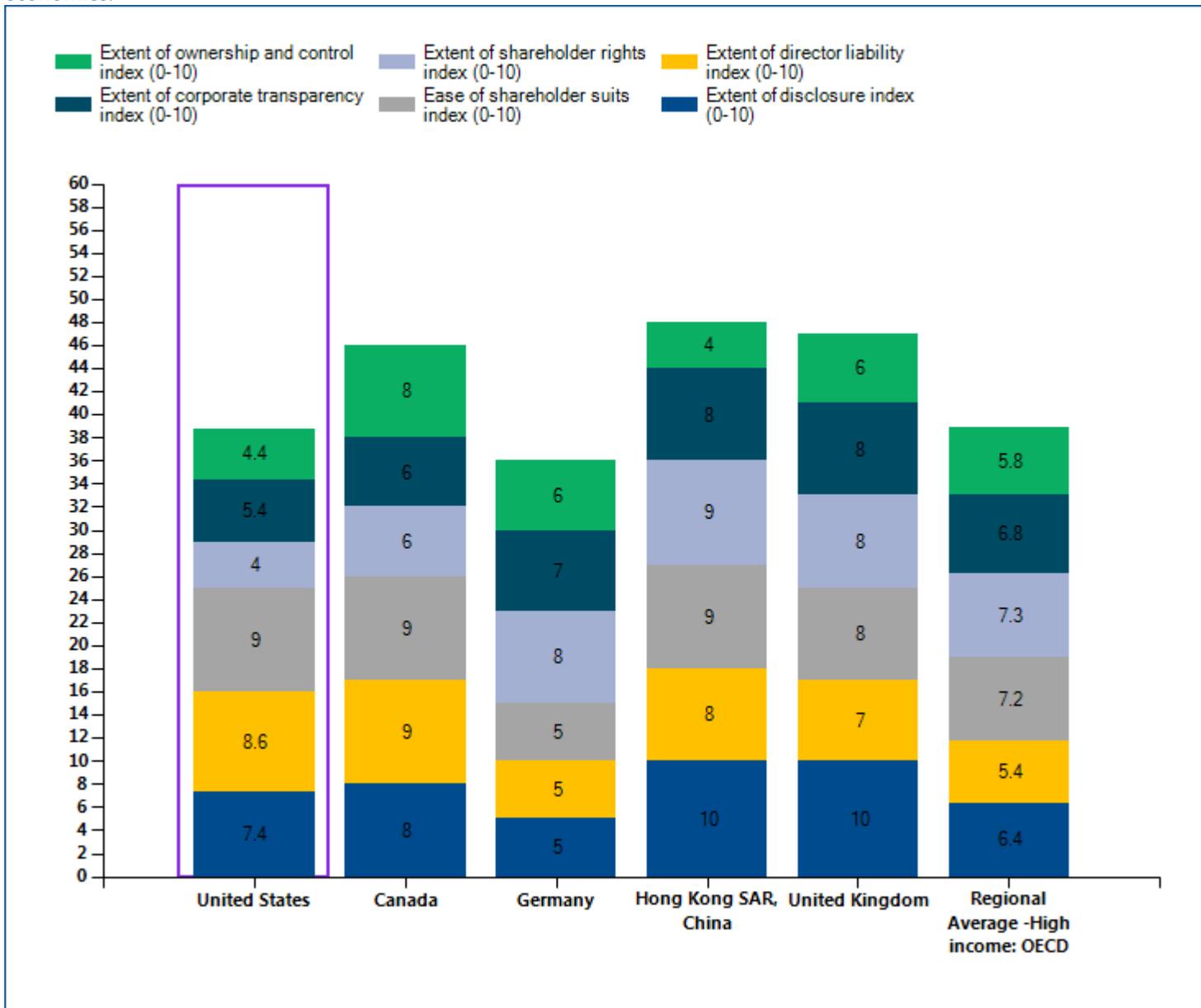
Source: Doing Business database.

### PROTECTING MINORITY INVESTORS

One way to put an economy's scores on the protecting minority investors indicators into context is to see where the economy stands in the distribution of scores across comparator economies. Figure 7.2 highlights the scores on the various minority investor protection indices for United States.

A summary of scoring for the protecting minority investors indicators at the end of this chapter provides details on how the indices were calculated.

Figure 7.2 Summary of the various minority investor protection indices for United States and comparator economies.



Source: Doing Business database.

## PROTECTING MINORITY INVESTORS

### What are the details?

The protecting minority investors indicators reported here for United States are based on detailed information collected through a survey of corporate and securities lawyers about securities regulations, company laws and court rules of evidence and procedure. To construct the six indicators on minority investor protection, scores are assigned to each based on a range of conditions relating

to disclosure, director liability, shareholder suits, shareholder rights, ownership and control and corporate transparency in a standard case study (for more details, see the Data Notes section of the *Doing Business 2017* report). The summary below shows the details underlying the scores for United States.

Table 7.2 Summary of scoring for the protecting minority investors indicators in United States

	Answer (New York City)	Score (New York City)	Answer (Los Angeles)	Score (Los Angeles)
<b>Strength of minority investor protection index (0-10)</b>		6.3		6.7
<b>Extent of conflict of interest regulation index (0-10)</b>		8.3		8.3
<b>Extent of disclosure index (0-10)</b>		7.0		8.0
Which corporate body is legally sufficient to approve the Buyer-Seller transaction? (0-3)	Shareholders or board of directors including interested parties	1.0	Board of directors excluding interested members	2.0
Must Mr. James disclose his conflict of interest to the board of directors? (0-2)	Full disclosure of all material facts	2.0	Full disclosure of all material facts	2.0
Must Buyer disclose the transaction in published periodic filings (annual reports)? (0-2)	Disclosure on the transaction and on the conflict of interest	2.0	Disclosure on the transaction and on the conflict of interest	2.0
Must Buyer immediately disclose the transaction to the public and/or shareholders? (0-2)	Disclosure on the transaction and on the conflict of interest	2.0	Disclosure on the transaction and on the conflict of interest	2.0
Must an external body review the terms of the transaction before it takes place? (0-1)	No	0.0	No	0.0
<b>Extent of director liability index (0-10)</b>		9.0		8.0
Can shareholders representing 10% of Buyer's share capital sue directly or derivatively for the damage the transaction caused to Buyer? (0-1)	Yes	1.0	Yes	1.0
Can shareholders hold the interested director liable for the damage the transaction caused to Buyer? (0-2)	Liable if unfair or prejudicial	2.0	Liable if negligent	1.0
Can shareholders hold the other directors liable for the damage the transaction caused to Buyer (0-2)	Liable if unfair or prejudicial	2.0	Liable if unfair or prejudicial	2.0
Must Mr. James pay damages for the harm caused to Buyer upon a successful claim by shareholders? (0-1)	Yes	1.0	Yes	1.0
Must Mr. James repay profits made from the transaction upon a successful claim by shareholders? (0-1)	Yes	1.0	Yes	1.0

Is Mr. James disqualified or fined and imprisoned upon a successful claim by shareholders? (0-1)	No	0.0	No	0.0
Can a court void the transaction upon a successful claim by shareholders? (0-2)	Voidable if unfair or prejudicial	2.0	Voidable if unfair or prejudicial	2.0
<b>Ease of shareholder suits index (0-10)</b>		9.0		9.0
Before suing can shareholders representing 10% of Buyer's share capital inspect the transaction documents? (0-1)	Yes	1.0	Yes	1.0
Can the plaintiff obtain any documents from the defendant and witnesses at trial? (0-3)	Any relevant document	3.0	Any relevant document	3.0
Can the plaintiff request categories of documents from the defendant without identifying specific ones? (0-1)	Yes	1.0	Yes	1.0
Can the plaintiff directly question the defendant and witnesses at trial? (0-2)	Yes	2.0	Yes	2.0
Is the level of proof required for civil suits lower than that of criminal cases? (0-1)	Yes	1.0	Yes	1.0
Can shareholder plaintiffs recover their legal expenses from the company? (0-2)	Yes if successful	1.0	Yes if successful	1.0
<b>Extent of shareholder governance index (0-10)</b>		4.3		5.0
<b>Extent of shareholder rights index (0-10)</b>		4.0		4.0
Does the sale of 51% of Buyer's assets require shareholder approval?	Yes	1.0	Yes	1.0
Can shareholders representing 10% of Buyer's share capital call for an extraordinary meeting of shareholders?	No	0.0	Yes	1.0
Must Buyer obtain its shareholders' approval every time it issues new shares?	No	0.0	No	0.0
Do shareholders automatically receive preemption rights every time Buyer issues new shares?	No	0.0	No	0.0
Must shareholders approve the election and dismissal of the external auditor?	No	0.0	No	0.0
Are changes to the rights of a class of shares only possible if the holders of the affected shares approve?	Yes	1.0	No	0.0
Assuming that Buyer is a limited company, does the sale of 51% of its assets require member approval?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, can members representing 10% call for an extraordinary meeting of members?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, must all members consent to add a new member?	No	0.0	No	0.0
Assuming that Buyer is a limited company, must a member first offer to sell his interest to the existing members before selling to a non-member?	No	0.0	No	0.0
<b>Extent of ownership and control index (0-10)</b>		4.0		5.0
Is it forbidden to appoint the same individual as CEO and chair of the board of directors?	No	0.0	No	0.0
Must the board of directors include independent and nonexecutive board members?	Yes	1.0	Yes	1.0
Can shareholders remove members of the board of directors without cause before the end of their term?	Yes	1.0	Yes	1.0
Must the board of directors include a separate audit committee exclusively comprising board members?	Yes	1.0	Yes	1.0
Must a potential acquirer make a tender offer to all	No	0.0	No	0.0

shareholders upon acquiring 50% of Buyer?				
Must Buyer pay dividends within a maximum period set by law after the declaration date?	No	0.0	Yes	1.0
Is a subsidiary prohibited from acquiring shares issued by its parent company?	No	0.0	No	0.0
Assuming that Buyer is a limited company, is there a management deadlock breaking mechanism?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of Buyer?	No	0.0	No	0.0
Assuming that Buyer is a limited company, must Buyer distribute profits within a maximum period set by law after the declaration date?	No	0.0	No	0.0
<b>Extent of corporate transparency index (0-10)</b>		<b>5.0</b>		<b>6.0</b>
Must Buyer disclose direct and indirect beneficial ownership stakes representing 5%?	Yes	1.0	Yes	1.0
Must Buyer disclose information about board members' other directorships as well as basic information on their primary employment?	Yes	1.0	Yes	1.0
Must Buyer disclose the compensation of individual managers?	Yes	1.0	Yes	1.0
Must a detailed notice of general meeting be sent 21 days before the meeting?	No	0.0	Yes	1.0
Can shareholders representing 5% of Buyer's share capital put items on the agenda for the general meeting?	No	0.0	No	0.0
Must Buyer's annual financial statements be audited by an external auditor?	Yes	1.0	Yes	1.0
Must Buyer disclose its audit reports to the public?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, must members meet at least once a year?	No	0.0	No	0.0
Assuming that Buyer is a limited company, can members representing 5% put items on the meeting agenda?	No	0.0	No	0.0
Assuming that Buyer is a limited company, must Buyer's annual financial statements be audited by an external auditor?	No	0.0	No	0.0

Source: Doing Business database.

## PAYING TAXES

Taxes are essential. The level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. Firms in economies that rank better on the ease of paying taxes in the *Doing Business* study tend to perceive both tax rates and tax administration as less of an obstacle to business according to the World Bank Enterprise Survey research.

### What do the indicators cover?

Using a case scenario, *Doing Business* records the taxes and mandatory contributions that a medium-size company must pay in a given year as well as measures of the administrative burden of paying taxes and contributions and dealing with postfiling processes. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments, time taken to comply with tax laws, time taken to comply with the requirements of postfiling processes and time waiting for these processes to be completed. The ranking of economies on the ease of paying taxes is determined by sorting their distance to frontier scores on the ease of paying taxes. These scores are the simple average of the distance to frontier scores for each of the four component indicators – number of tax payments, time, total tax rate and postfiling index – with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax rate<sup>1</sup>. If both VAT (or GST) and corporate income tax apply, the postfiling index is the simple average of the distance to frontier scores for each of the four components: the time to comply with a VAT or GST refund, the time to obtain a VAT or GST refund, the time to comply with a corporate income tax audit and the time to complete a corporate income tax audit. If only VAT (or GST) or corporate income tax applies, the postfiling index is the simple average of the scores for only the two components pertaining to the applicable tax. If neither VAT (or GST) nor corporate income tax

### WHAT THE PAYING TAXES INDICATORS MEASURE

#### Tax payments for a manufacturing company in 2015 (number per year adjusted for electronic and joint filing and payment)

Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)

Method and frequency of filing and payment

#### Time required to comply with 3 major taxes (hours per year)

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

#### Total tax rate (% of profit before all taxes)

Profit or corporate income tax

Social contributions and labor taxes paid by the employer

Property and property transfer taxes

Dividend, capital gains and financial transactions taxes

Waste collection, vehicle, road and other taxes

#### Postfiling Index

The time to comply with a VAT or GST refund

The time to receive a VAT or GST refund

The time to comply with a corporate income tax audit

The time to complete a corporate income tax audit

<sup>1</sup> The nonlinear distance to frontier for the total tax rate is equal to the distance to frontier for the total tax rate to the power of 0.8. The threshold is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis up to and including *Doing Business 2015*, which is 26.1%. All economies with a total tax rate below this threshold receive the same score as the economy at the threshold.

applies, the postfiling index is not included in the ranking of the ease of paying taxes.

Taxes and mandatory contributions include corporate income tax, turnover tax and all labor taxes and contributions paid by the company. A range of standard deductions and exemptions are also recorded.

All financial statement variables are proportional to 2012 income per capita. To make the data comparable across economies, several assumptions are used.

TaxpayerCo is a medium-size business that started operations on January 1, 2014.

The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.

Taxes and mandatory contributions are measured at all levels of government.

Assumptions about the VAT refund process:

- In June 2015, TaxpayerCo. makes a large capital purchase: one additional machine for manufacturing pots.
- The value of the machine is 65 times income per capita of the economy.
- Sales are equally spread per month (that is, 1,050 times income per capita divided by 12).
- Cost of goods sold are equally expensed per month (that is, 875 times income per capita divided by 12).
- The seller of the machinery is registered for VAT or general sales tax (GST).
- Excess input VAT incurred in June will be fully recovered after four consecutive months if the VAT or GST rate is the same for inputs, sales and the machine and the tax reporting period is every month.

Assumptions about the corporate income tax audit process:

- An error in the calculation of the income tax liability (for example, use of incorrect tax depreciation rates, or incorrectly treating an expense as tax deductible) leads to an incorrect income tax return and consequently an underpayment of corporate income tax.
- TaxpayerCo. discovered the error and voluntarily notified the tax authority of the error in the corporate income tax return.

## PAYING TAXES

### Where does the economy stand today?

What is the administrative burden of complying with tax obligations and postfiling processes in United States—and how much do firms pay in taxes? Globally, United States stands at 36 in the ranking of 190 economies on the ease of paying taxes (figure 8.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing the tax compliance burden for businesses in (see table 8.2 and

table 8.3 at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 8.1 How United States and comparator economies rank on the ease of paying taxes



Source: *Doing Business* database.

## PAYING TAXES

Economies around the world have made paying taxes faster, easier and less costly for businesses—such as by consolidating payments and filings of taxes, offering electronic systems for filing and payment, establishing taxpayer service centers or allowing for more deductions

and exemptions. Many have lowered tax rates. Changes have brought concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in United States (table 8.1)?

Table 8.1 How has United States made paying taxes easier—or not?  
By *Doing Business* report year from DB2011 to DB2017

DB year	Reform
<b>DB2011</b>	In the United States the introduction of a new tax on payroll increased taxes on companies operating within the New York City metropolitan commuter transportation district.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

## PAYING TAXES

### What are the details?

The indicators reported here for United States are based on the taxes and contributions that would be paid by a standardized case study company used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). Tax practitioners are asked to review a set of financial statements as well as a standardized list of assumptions and transactions that the company completed during its 2nd year of operation. Respondents are asked how much taxes and mandatory contributions the business must pay how these taxes are filed and paid, how much time taxpayers spend preparing, filing and paying three major taxes (profit taxes, labor taxes including mandatory contributions and consumption taxes) and how much time taxpayers spend complying with postfiling processes and waiting for these processes to be completed.

#### LOCATION OF STANDARDIZED COMPANY

**City: New York City, Los Angeles**

The taxes and contributions paid are listed in table 8.2 below, along with the associated number of payments, time and tax rate.

The postfiling index is based on four components—the time to comply with a VAT or GST refund, the time to obtain a VAT or GST refund, the time to comply with a corporate income tax audit and the time to complete a corporate income tax audit (table 8.3). These components are based on expanded case study assumptions. If only VAT (or GST) or corporate income tax applies for an economy, the postfiling index is the simple average of the scores for only the two components pertaining to the applicable tax. If neither VAT (or GST) nor corporate income tax applies, the postfiling index is not included in the ranking of the ease of paying taxes.

Table 8.2 Summary of tax rates and administration

New York City: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
NY City and State property tax	1			10.323% per \$100 valuation	45% of FMV	7.12	
Employer paid - Federal old-age, survivors and disability insurance tax (OASDI)	1	online	55	6.2%	gross salaries with ceiling	6.99	
NYS corporation tax	0	jointly		7.1%	taxable income	5.47	
NYC corporation tax	1	online		8.85%	taxable income	4.00	

New York City: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Federal corporate income tax	1	online	87	34% (progressive schedule)	taxable income	17.80	
Employer paid - Hospital insurance contributions	0	jointly		1.45%	gross salaries	1.64	
NYC real estate transfer tax	1			2.63%	sale price	1.59	
Employer paid - NYS unemployment tax	1	online		4.1%	gross salaries with ceiling	0.86	
Employer paid - Metropolitan commuter transportation mobility tax (MCTMT)	1	online		0.34%	gross salaries	0.38	
Employer paid - Federal unemployment tax (FUTA)	1	online		0.6% (6% FUTA - 5.4% tax credit)	gross salaries with ceiling	0.08	
NY City and State sales and use tax of lease truck	1			8.875%	leasing expenses	0.07	
Fuel tax	1			18.4 cents + 8 cents per gallon	fuel consumption	0.00	small amount
Sales tax	1	online	33	8.875%	sales	0.00	withheld
Employee paid - Federal old-age, survivors and disability insurance tax (OASDI)	0	online		6.2%	gross salaries with ceiling	0.00	withheld
Employee paid - Hospital insurance contributions	0	jointly		1.45%	gross salaries	0.00	withheld
Totals	11.0		175.0			46.0	

Los Angeles: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Federal Old-age, survivors and disability insurance tax (OASDI)	1	online	55	6.2%	gross salaries with ceiling	6.99	

Los Angeles: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
CA State corporation tax	1	online		8.84%	taxable income	6.75	
Federal corporate income tax	1	online	87	34% (progressive schedule)	taxable income	20.29	
Los Angeles City Business Tax ("LACBT")	1	online		0.127%	gross receipts	2.25	
LA & State Property Taxes	1	online		1.198%	MV of land and buildings	1.77	
Employer paid - Hospital insurance contributions	0	jointly		1.45%	gross salaries	1.64	
CA State unemployment tax	1	online		4.5% (3.4% UI + 0.1% ETT + 1% SDI)	gross salaries with ceiling	0.76	
LA Real Estate Transfer Tax	1			\$2.80 per \$500 of consideration	sale price	0.34	
Federal unemployment tax (FUTA)	1	online		0.6% (6% FUTA - 5.4% tax credit)	gross salaries with ceiling	0.08	
Fuel tax	1			18.4 cents + 8 cents per gallon	fuel consumption	0.00	small amount
Sales tax	1	online	33	9%	sales	0.00	withheld
Employee paid - Federal old-age, survivors and disability insurance tax (OASDI)	0	jointly		6.2%	gross salaries with ceiling	0.00	withheld
Employee paid - Hospital insurance contributions	0	jointly		1.45%	gross salaries	0.00	withheld
CA State & City Sales and Use Tax on lease of new truck	0	jointly		8.875%	leasing expenses	0.00	
Totals	10.0		175.0			40.9	

Source: Doing Business database.

Table 8.3 Summary of details of postfiling index in United States

	Answer (New York City)	Score (New York City)	Answer (Los Angeles)	Score (Los Angeles)
Postfiling index (0-100)		93.1		93.1
VAT refunds				
Does VAT/GST exist?	No		No	
Frequency of VAT/GST refund submission	N/A		N/A	
Does a VAT/GST refund process exist per the case study?	N/A		N/A	
Restrictions on VAT refund process	N/A		N/A	
Likelihood of VAT audit	N/A		N/A	
Time to comply with VAT refund (hours)	N/A	No VAT	N/A	No VAT
Time to obtain a VAT refund (weeks)	N/a	No VAT	N/a	No VAT
Corporate income tax audits				
Does corporate income tax exist?	Yes		Yes	
Likelihood of corporate income tax audit	Unlikely		Unlikely	
Time to comply with a corporate income tax audit (hours)	9.0	86.2	9.0	86.2
Time to complete a corporate income tax audit (weeks)	0.0	100.0	0.0	100.0
Administrative appeal process				
First level administrative appeal authority	IRS Office of Appeals		IRS Office of Appeals	
Is the appeal authority independent?	Independent department within tax office		Independent department within tax office	
Are appeal guidelines accessible to the public?	Yes		Yes	
Source of appeal guidelines	online/in printed publication/in person at tax office/other		online/in printed publication /in person at tax office/other	
Is there a legal time limit for the appeal authority to issue a decision on the tax appeal?	No		No	

	Answer (New York City)	Score (New York City)	Answer (Los Angeles)	Score (Los Angeles)
Legal time limit				

Source: *Doing Business*

Note:

The postfiling index is the average of the scores on time to comply with VAT refund, time to obtain a VAT refund, time to comply with a corporate income tax audit and time to complete a corporate income tax audit.

N/A = Not applicable.

## TRADING ACROSS BORDERS

In today's globalized world, making trade between economies easier is increasingly important for business. Excessive use of paper documents, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential.

### What do the indicators cover?

*Doing Business* records the time and cost associated with the logistical process of exporting and importing goods. Under the new methodology introduced this year, *Doing Business* measures the time and cost (excluding tariffs) associated with three sets of procedures—documentary compliance, border compliance and domestic transport—within the overall process of exporting or importing a shipment of goods. The ranking of economies on the ease of trading across borders is determined by sorting their distance to frontier scores for trading across borders. These scores are the simple average of the distance to frontier scores for the time and cost for documentary compliance and border compliance to export and import (domestic transport is not used for calculating the ranking).

To make the data comparable across economies, a few assumptions are made about the traded goods and the transactions:

#### Time

- Time is measured in hours, and 1 day is 24 hours (for example, 22 days are recorded as  $22 \times 24 = 528$  hours). If customs clearance takes 7.5 hours, the data are recorded as is. Alternatively, suppose that documents are submitted to a customs agency at 8:00 a.m., are processed overnight and can be picked up at 8:00 a.m. the next day. In this case the time for customs clearance would be recorded as 24 hours because the actual procedure took 24 hours.

## WHAT THE TRADING ACROSS BORDERS

### INDICATORS MEASURE FOR IMPORT & EXPORT

#### Documentary compliance – cost & time

Obtain, prepare and submit documents:

-During transport, clearance, inspections and port or border handling in origin economy

-Required by origin, destination and transit economies

Covers all documents by law and in practice

#### Border compliance – cost & time

Customs clearance and inspections

Inspections by other agencies if applied to more than 10% of shipments)

Port or border handling

Processing documents during clearance, inspections and port or border handling

#### Domestic transport\*

Loading and unloading of shipment

Transport between warehouse and terminal/port

Transport between terminal/port and border

Traffic delays and road police checks while shipment is en route

\* Although *Doing Business* collects and publishes data on the time and cost for domestic transport, it does not use these data in calculating the distance to frontier score for trading across borders or the ranking on the ease of trading across borders.

#### Cost

- Insurance cost and informal payments for which no receipt is issued are excluded from the costs recorded. Costs are reported in U.S. dollars. Contributors are asked to convert local currency into U.S. dollars based on the exchange rate prevailing on the day they answer the questionnaire.

## Assumptions of the case study

- For each of the 190 economies covered by *Doing Business*, it is assumed that a shipment travels from a warehouse in the largest business city of the exporting economy to a warehouse in the largest business city of the importing economy. For 11 economies the data are also collected, under the same case study assumptions, for the second largest business city.
- The import and export case studies assume different traded products. It is assumed that each economy imports a standardized shipment of 15 metric tons of containerized auto parts (HS 8708) from its natural import partner—the economy from which it imports the largest value (price times quantity) of auto parts. It is assumed that each economy exports the product of its comparative advantage (defined by the largest export value) to its natural export partner—the economy that is the largest purchaser of this product. Special products such as precious metal and gems, live animals and pharmaceuticals are excluded from the list of possible export products. However, the second largest product category is considered as needed.
- A shipment is a unit of trade. Export shipments do not necessarily need to be containerized, while import shipments of auto parts are assumed to be containerized.
- If government fees are determined by the value of the shipment, the value is assumed to be \$50,000.
- The product is new, not secondhand or used merchandise.
- The exporting firm is responsible for hiring and paying for a freight forwarder or customs broker (or both) and pays for all costs related to international shipping, domestic transport, clearance and mandatory inspections by customs and other government agencies, port or border handling, documentary compliance fees and the like for exports. The importing firm is responsible for the above costs for imports.
- The mode of transport is the one most widely used for the chosen export or import product and the trading partner, as is the seaport, airport or land border crossing.
- All electronic submissions of information requested by any government agency in connection with the shipment are considered to be documents obtained, prepared and submitted during the export or import process.
- A port or border is defined as a place (seaport, airport or land border crossing) where merchandise can enter or leave an economy.
- Government agencies considered relevant are agencies such as customs, port authorities, road police, border guards, standardization agencies, ministries or departments of agriculture or industry, national security agencies and any other government authorities.

## TRADING ACROSS BORDERS

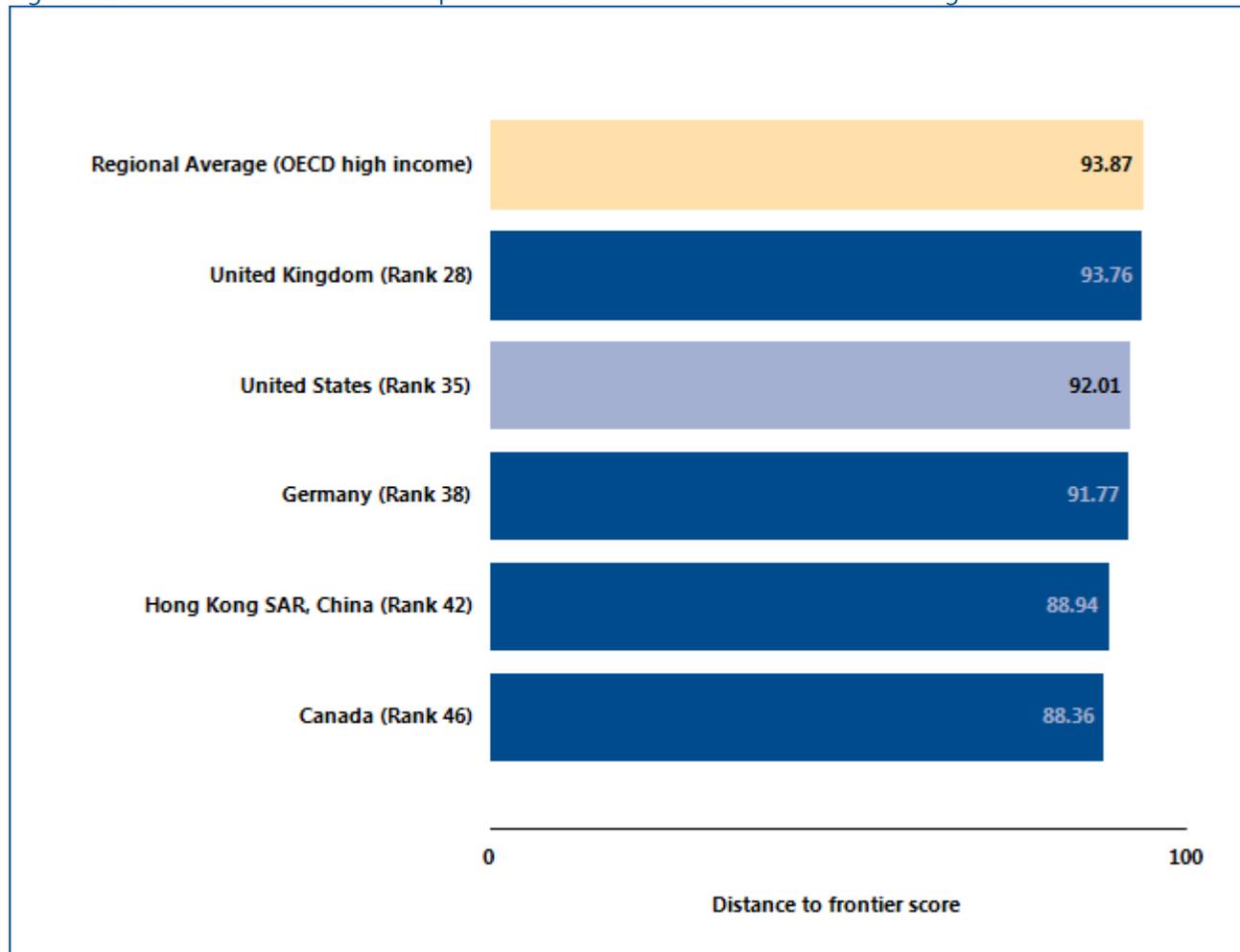
### Where does the economy stand today?

The Trading across Borders indicator refers to a case study scenario of a warehouse in the largest business city of an economy (except for 11 economies for which the data are a population-weighted average of the 2 largest business cities) trading with the main import and export partner through the economy’s main border crossing.

Globally, United States stands at 35 in the ranking of 190 economies on the ease of trading across borders (figure 9.1).

While not included in the distance to frontier or ease of doing business ranking, data on domestic transportation is also recorded for all economies and provided in Table 9.3.

Figure 9.1 How United States and comparator economies rank on the ease of trading across borders



Source: Doing Business database.

## TRADING ACROSS BORDERS

### What are the details?

The indicators reported here for United States are based on a set of specific predefined procedures for trading a shipment of goods by the most widely used mode of transport (whether sea or land). The information on the time and cost to complete export and import is collected from local freight forwarders, customs brokers and traders.

#### LOCATION OF STANDARDIZED COMPANY

**City:** New York City, Los Angeles

The details on the predefined set of procedures, and the associated time and cost, for exporting and importing a shipment of goods are listed in the summary below, along with the required documents.

Table 9.2 Summary of export and import time and cost for trading across borders in United States

	New York City	Los Angeles	OECD high income
Time to export: Border compliance (hours)	2	2	12
Cost to export: Border compliance (USD)	175	175	150
Time to export: Documentary compliance (hours)	2	2	3
Cost to export: Documentary compliance (USD)	60	60	36
Time to import: Border compliance (hours)	2	2	9
Cost to import: Border compliance (USD)	175	175	115
Time to import: Documentary compliance (hours)	8	8	4
Cost to import: Documentary compliance (USD)	100	100	26

Source: *Doing Business* database.

Table 9.3 Summary of trading details, transport time and documents for trading across borders in United States

	New York City		Los Angeles	
	Export	Import	Export	Import
Product	HS 84 : Nuclear reactors, boilers, machinery and	HS 8708: Parts and accessories of motor vehicles	HS 84 : Nuclear reactors, boilers, machinery and	HS 8708: Parts and accessories of motor vehicles

	New York City		Los Angeles	
	Export	Import	Export	Import
	mechanical appliances; parts thereof		mechanical appliances; parts thereof	
Trade partner	Canada	Mexico	Canada	Mexico
Border	Buffalo border crossing	Laredo border crossing	Detroit border crossing	El Paso border crossing
Distance (km)	600	3192	3670	1295
Domestic transport time (hours)	24	109	85	31
Domestic transport cost (USD)	1361	4373	6017	1931

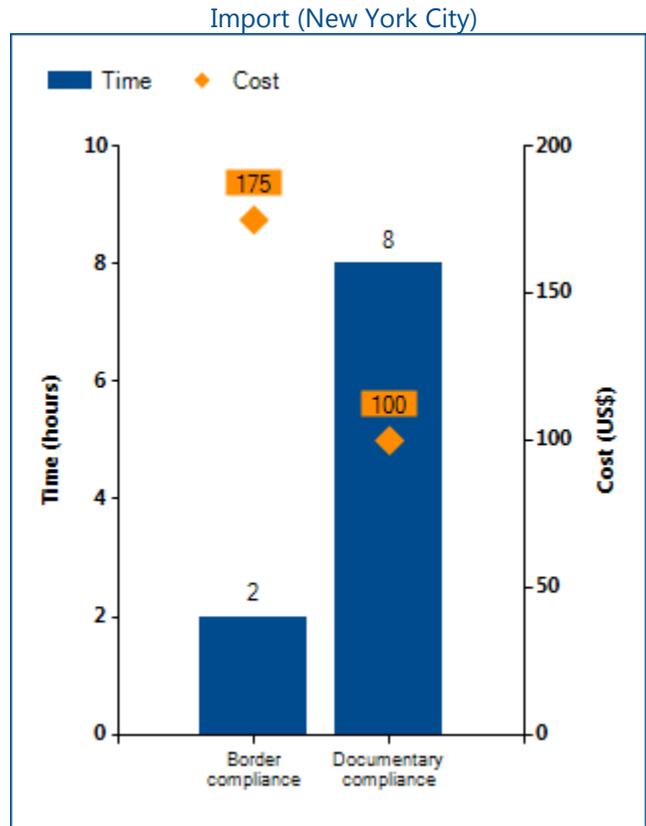
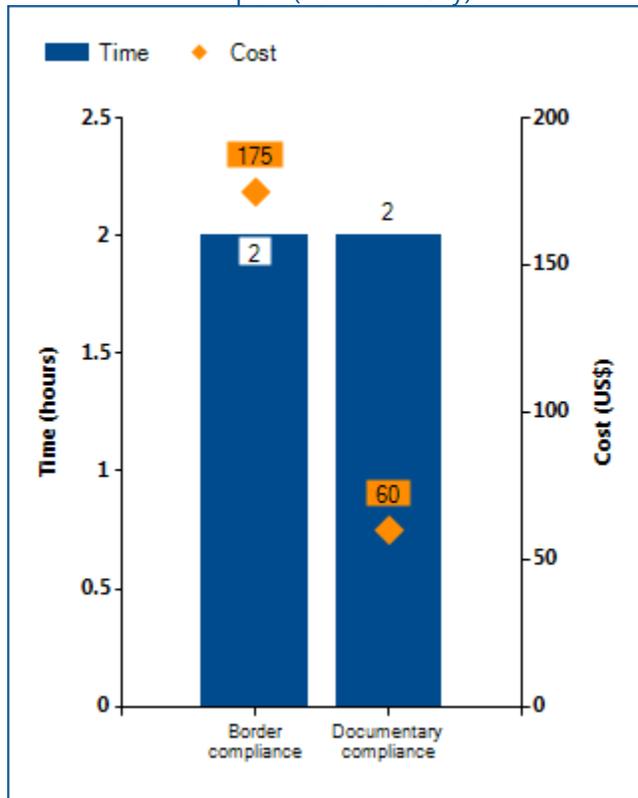
Source: Doing Business database.

Documents used to export
Inland bill of lading
Commercial Invoice/ cargo control document
NAFTA Certificate of origin/ Canadian Customs Invoice
Packing List
Documents used to import
Inland bill of lading
NAFTA - Certificate of origin
Commercial Invoice
Packing List
Customs Release Form 3461
Customs Entry Form 7501

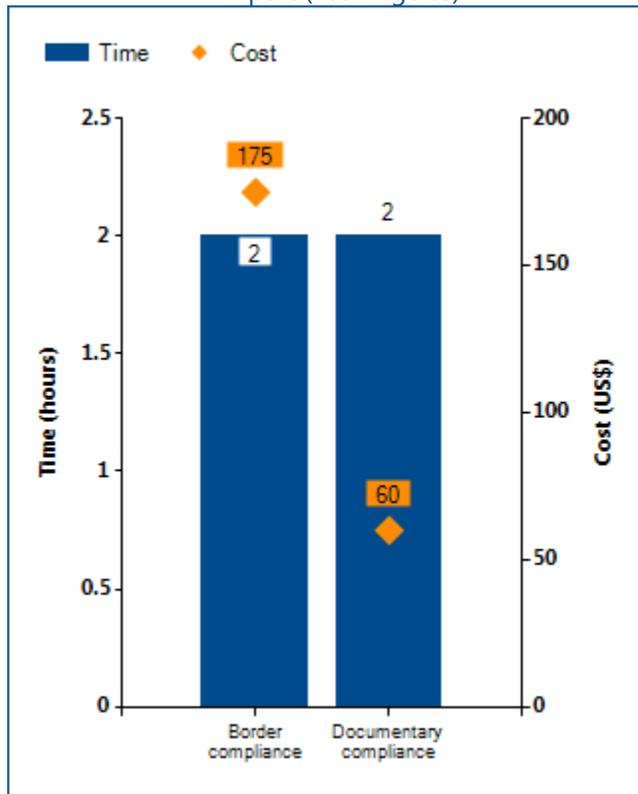
Source: Doing Business database.

Note: Doing Business continues to collect data on the number of documents needed to trade internationally. Unlike in previous years, however, these data are excluded from the calculation of the distance to frontier score and ranking. The time and cost for documentary compliance serve as better measures of the overall cost and complexity of compliance with documentary requirements than does the number of documents required.

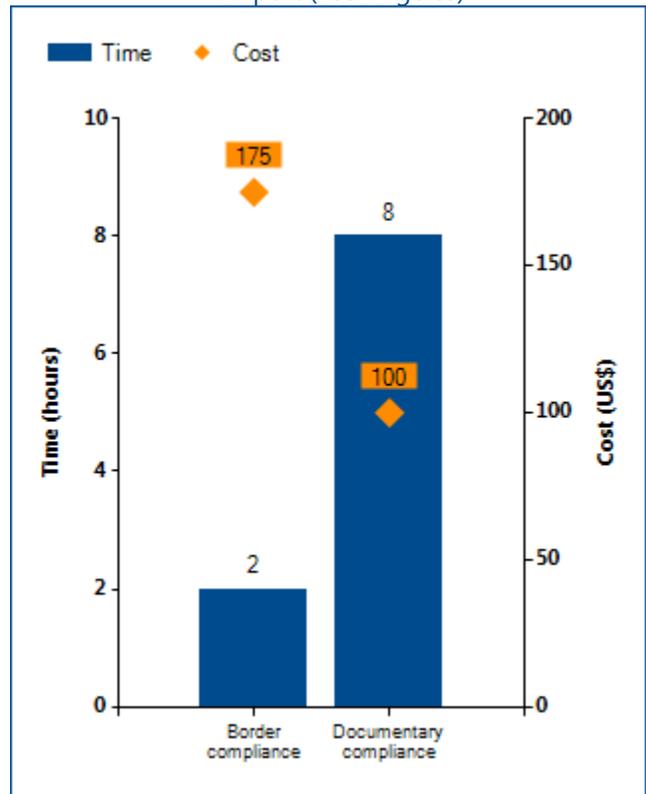
Figure 9.2 Summary of United States on the ease of trading across borders  
Export (New York City)



Export (Los Angeles)



Import (Los Angeles)



Source: Doing Business database.

## ENFORCING CONTRACTS

Effective commercial dispute resolution has many benefits. Courts are essential for entrepreneurs because they interpret the rules of the market and protect economic rights. Efficient and transparent courts encourage new business relationships because businesses know they can rely on the courts if a new customer fails to pay. Speedy trials are essential for small enterprises, which may lack the resources to stay in business while awaiting the outcome of a long court dispute.

### What do the indicators cover?

*Doing Business* measures the time and cost for resolving a standardized commercial dispute through a local first-instance court. In addition, this year it introduces a new measure, the quality of judicial processes index, evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the court system. This new index replaces the indicator on procedures, which was eliminated this year. The ranking of economies on the ease of enforcing contracts is determined by sorting their distance to frontier scores. These scores are the simple average of the distance to frontier scores for each of the component indicators.

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement. To make the data comparable across economies, *Doing Business* uses several assumptions about the case:

- The dispute concerns a lawful transaction between two businesses (Seller and Buyer), both located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- The buyer orders custom-made goods, then fails to pay.
- The value of the dispute is 200% of the income per capita or the equivalent in local currency of USD 5,000, whichever is greater.
- The seller sues the buyer before the court with jurisdiction over commercial cases worth 200% of income per capita or \$5,000.

### WHAT THE ENFORCING CONTRACTS

#### INDICATORS MEASURE

#### Time required to enforce a contract through the courts (calendar days)

- Time to file and serve the case
- Time for trial and to obtain the judgment
- Time to enforce the judgment

#### Cost required to enforce a contract through the courts (% of claim)

- Attorney fees
- Court fees
- Enforcement fees

#### Quality of judicial processes index (0-18)

- Court structure and proceedings (0-6)
- Case management (0-6)
- Court automation (0-4)
- Alternative dispute resolution (0-3)

- The seller requests a pretrial attachment to secure the claim.
- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

## ENFORCING CONTRACTS

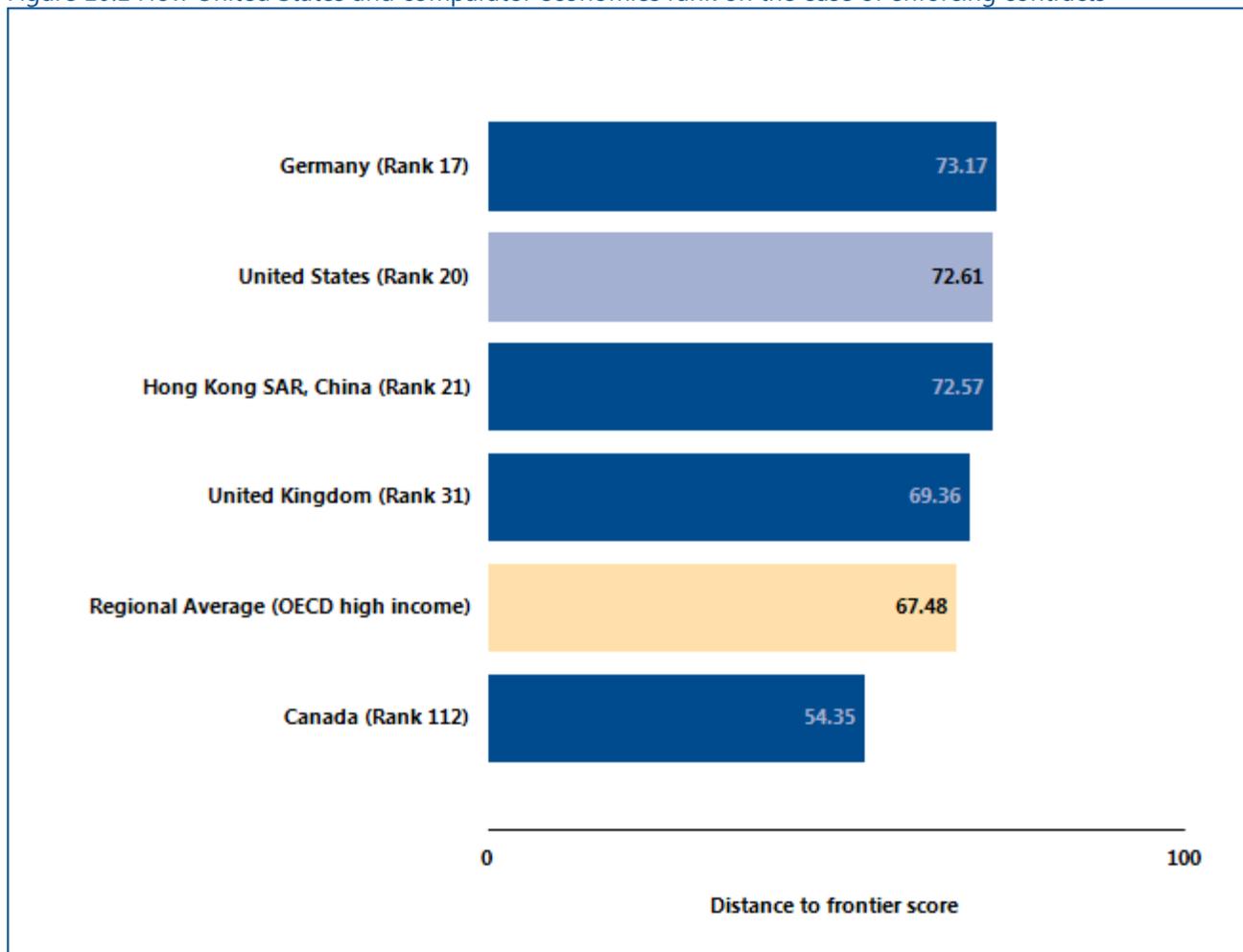
### Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in United States? According to data collected by *Doing Business*, contract enforcement takes 420.0 days and costs 30.5% of the value of the claim. Most indicator sets refer to the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter

on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, United States stands at 20 in the ranking of 190 economies on the ease of enforcing contracts (figure 10.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of contract enforcement in United States.

Figure 10.1 How United States and comparator economies rank on the ease of enforcing contracts



Source: *Doing Business* database.

## ENFORCING CONTRACTS

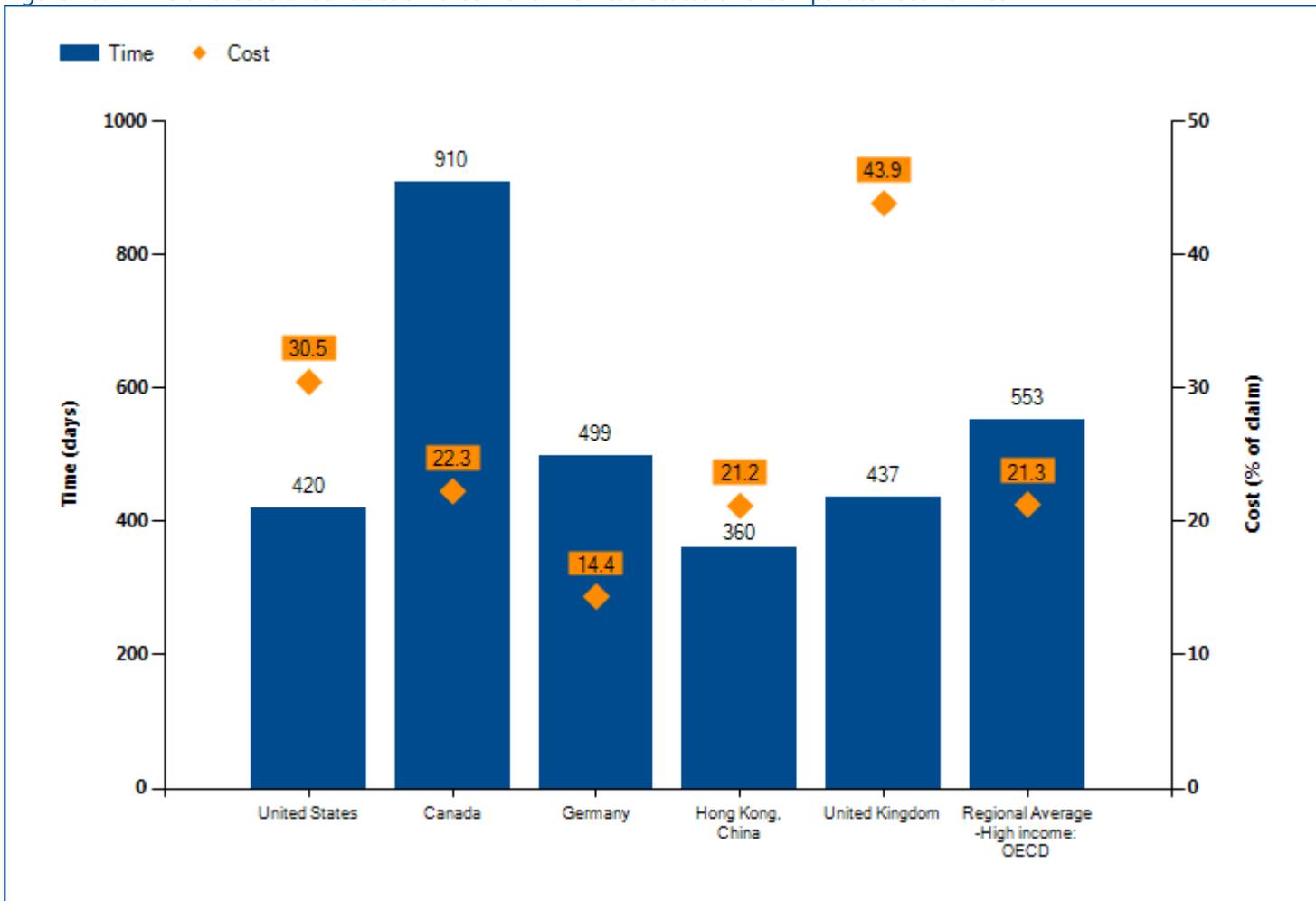
### What are the details?

The data on time and cost reported here for United States are built by following the step-by-step evolution of a commercial sale dispute within the court, under the assumptions about the case described above (figure 10.2). The time and cost of resolving the standardized dispute are identified through study of the codes of civil procedure and other court regulations, as well as through questionnaires completed by local litigation lawyers (and, in a quarter of the economies covered by *Doing Business*, by judges as well).

#### ECONOMY DETAILS

<b>Claim value - Los Angeles:</b>	<b>USD 111,727</b>
<b>Claim value - New York City:</b>	<b>USD 111,727</b>
<b>Court name - Los Angeles:</b>	<b>Superior Court of California, County of Los Angeles</b>
<b>Court name - New York City:</b>	<b>Supreme Court of the State of New York, Civil Branch</b>
<b>City:</b>	<b>New York City, Los Angeles</b>

Figure 10.2 Time and cost of contract enforcement in United States and comparator economies



Source: Doing Business database.

Table 10.2 Details on time and cost for enforcing contracts in United States

Indicator	New York City	Los Angeles	OECD high income average
<b>Time (days)</b>	370.0	495.0	553
Filing and service	30	30	
Trial and judgment	240	365	
Enforcement of judgment	100	100	
<b>Cost (% of claim)</b>	22.9	42.0	21.3
Attorney fees	14.4	30.0	
Court fees	5.0	5.0	
Enforcement fees	3.5	7.0	

Source: Doing Business database.

## ENFORCING CONTRACTS

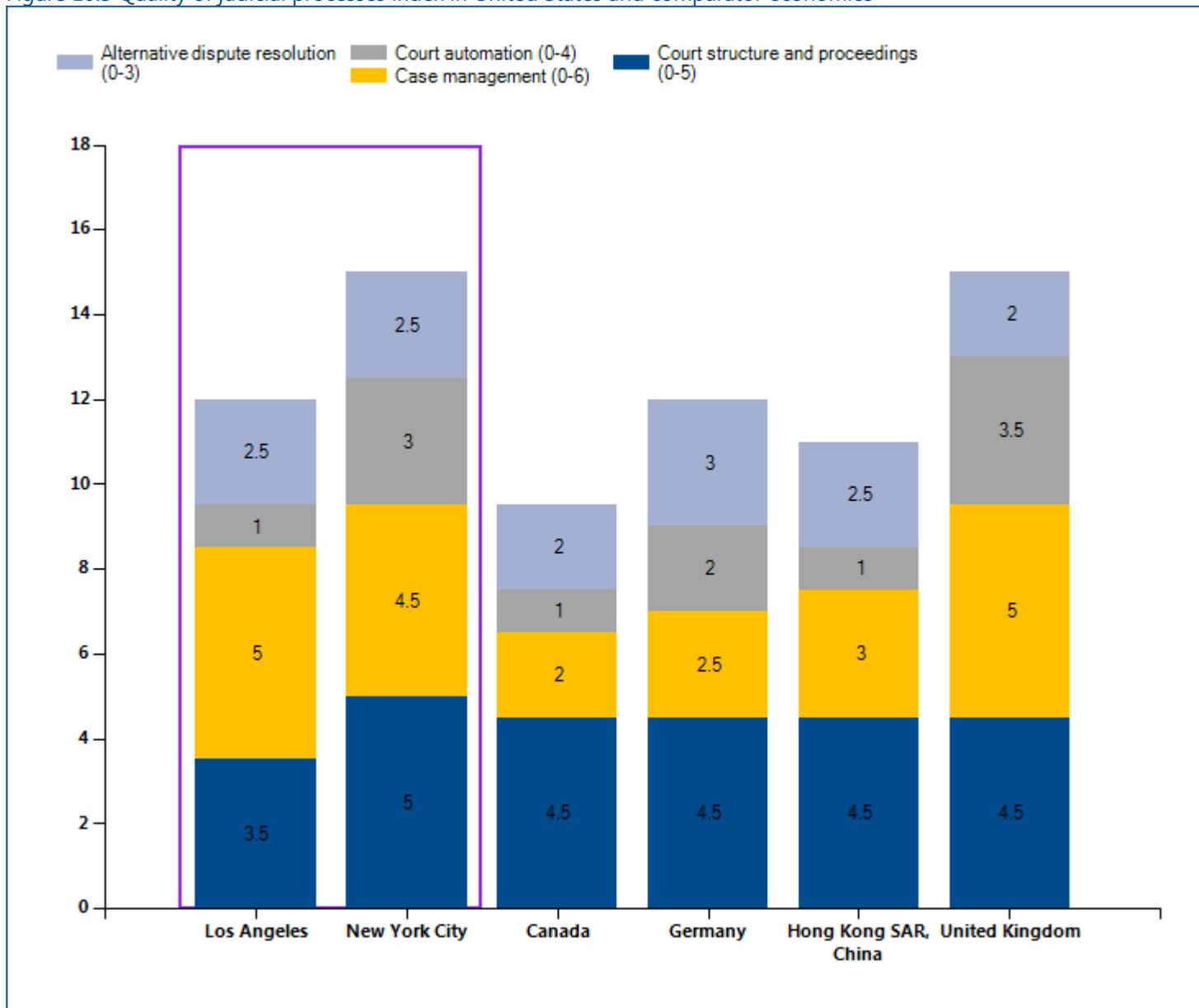
### Quality of judicial processes index

The quality of judicial processes index measures whether each economy has adopted a series of good practices in its court system in four areas: court structure and proceedings, case management, court automation and alternative dispute resolution. The score on the quality of judicial processes index is the sum of the scores on these 4 sub-components. The index ranges from 0 to 18, with higher values indicating better, more efficient judicial processes.

The scores reported here show which of these good practices are available in United States (figure 10.3).

This methodology was initially developed by Djankov and others (2003) and is adopted here with several changes. The quality of judicial processes index was introduced in *Doing Business 2016*. The good practices tested in this index were developed on the basis of internationally recognized good practices promoting judicial efficiency.

Figure 10.3 Quality of judicial processes index in United States and comparator economies



Source: Doing Business database.

Table 10.3 Details of the quality of judicial processes index in United States

	Answer (New York City)	Score (New York City)	Answer (Los Angeles)	Score (Los Angeles)
Quality of judicial processes index (0-18)		15.0		12.0
Court structure and proceedings (0-5)		5.0		3.5
1. Is there a court or division of a court dedicated solely to hearing commercial cases?	Yes	1.5	No	0.0
2. Small claims court		1.5		1.5
2.a. Is there a small claims court or a fast-track procedure for small claims?	Yes		Yes	
2.b. If yes, is self-representation allowed?	Yes		Yes	
3. Is pretrial attachment available?	Yes	1.0	Yes	1.0
4. Are new cases assigned randomly to judges?	Yes, automatic	1.0	Yes, automatic	1.0
5. Does a woman's testimony carry the same evidentiary weight in court as a man's?	Yes	0.0	Yes	0.0
Case management (0-6)		4.5		5.0
1. Time standards		1.0		1.0
1.a. Are there laws setting overall time standards for key court events in a civil case?	Yes		Yes	
1.b. If yes, are the time standards set for at least three court events?	Yes		Yes	
1.c. Are these time standards respected in more than 50% of cases?	Yes		Yes	
2. Adjournments		0.5		0.0
2.a. Does the law regulate the maximum number of adjournments that can be granted?	No		No	
2.b. Are adjournments limited to unforeseen and exceptional circumstances?	Yes		No	
2.c. If rules on adjournments exist, are they respected in more than 50% of cases?	Yes		n.a.	
3. Can two of the following four reports be generated about the competent court: (i) time to disposition report; (ii) clearance rate report; (iii) age of pending cases report; and (iv) single case progress report?	No	0.0	Yes	1.0
4. Is a pretrial conference among the case	Yes	1.0	Yes	1.0

	Answer (New York City)	Score (New York City)	Answer (Los Angeles)	Score (Los Angeles)
management techniques used before the competent court?				
5. Are there any electronic case management tools in place within the competent court for use by judges?	Yes	1.0	Yes	1.0
6. Are there any electronic case management tools in place within the competent court for use by lawyers?	Yes	1.0	Yes	1.0
<b>Court automation (0-4)</b>		<b>3.0</b>		<b>1.0</b>
1. Can the initial complaint be filed electronically through a dedicated platform within the competent court?	Yes	1.0	No	0.0
2. Is it possible to carry out service of process electronically for claims filed before the competent court?	No	0.0	No	0.0
3. Can court fees be paid electronically within the competent court?	Yes	1.0	No	0.0
4. Publication of judgments		1.0		1.0
4.a Are judgments rendered in commercial cases at all levels made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	Yes		Yes	
4.b. Are judgments rendered in commercial cases at the appellate and supreme court level made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	Yes		Yes	
<b>Alternative dispute resolution (0-3)</b>		<b>2.5</b>		<b>2.5</b>
1. Arbitration		1.5		1.5
1.a. Is domestic commercial arbitration governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all its aspects?	Yes		Yes	
1.b. Are there any commercial disputes—aside from those that deal with public order or public policy—that cannot be submitted to arbitration?	No		No	
1.c. Are valid arbitration clauses or agreements usually enforced by the courts?	Yes		Yes	
2. Mediation/Conciliation		1.0		1.0

	Answer (New York City)	Score (New York City)	Answer (Los Angeles)	Score (Los Angeles)
2.a. Is voluntary mediation or conciliation available?	Yes		Yes	
2.b. Are mediation, conciliation or both governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all their aspects?	Yes		Yes	
2.c. Are there financial incentives for parties to attempt mediation or conciliation (i.e., if mediation or conciliation is successful, a refund of court filing fees, income tax credits or the like)?	No		No	

Source: *Doing Business* database.

## RESOLVING INSOLVENCY

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in the speedy return of businesses to normal operation and increase returns to creditors. By clarifying the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses and sustainably grow the economy.

### What do the indicators cover?

*Doing Business* studies the time, cost and outcome of insolvency proceedings involving domestic legal entities. These variables are used to calculate the recovery rate, which is recorded as cents on the dollar recovered by secured creditors through reorganization, liquidation or debt enforcement (foreclosure or receivership) proceedings. To determine the present value of the amount recovered by creditors, *Doing Business* uses the lending rates from the International Monetary Fund, supplemented with data from central banks and the Economist Intelligence Unit.

To make the data on the time, cost and outcome comparable across economies, several assumptions about the business and the case are used:

- A hotel located in the largest city (or cities) has 201 employees and 50 suppliers. The hotel experiences financial difficulties.
- The value of the hotel is 100% of the income per capita or the equivalent in local currency of USD 200,000, whichever is greater.
- The hotel has a loan from a domestic bank, secured by a mortgage over the hotel's real estate. The hotel cannot pay back the loan, but makes enough money to operate otherwise.

In addition, *Doing Business* evaluates the adequacy and integrity of the existing legal framework applicable to liquidation and reorganization proceedings through the strength of insolvency framework index. The index tests whether economies adopted internationally accepted good practices in four areas: commencement of proceedings, management of debtor's assets, reorganization proceedings and creditor participation.

## WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

### Time required to recover debt (years)

Measured in calendar years

Appeals and requests for extension are included

### Cost required to recover debt (% of debtor's estate)

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

### Outcome

Whether business continues operating as a going concern or business assets are sold piecemeal

### Recovery rate for creditors

Measures the cents on the dollar recovered by secured creditors

Outcome for the business (survival or not) determines the maximum value that can be recovered

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

Present value of debt recovered

### Strength of insolvency framework index (0-16)

Sum of the scores of four component indices:

Commencement of proceedings index (0-3)

Management of debtor's assets index (0-6)

Reorganization proceedings index (0-3)

Creditor participation index (0-4)

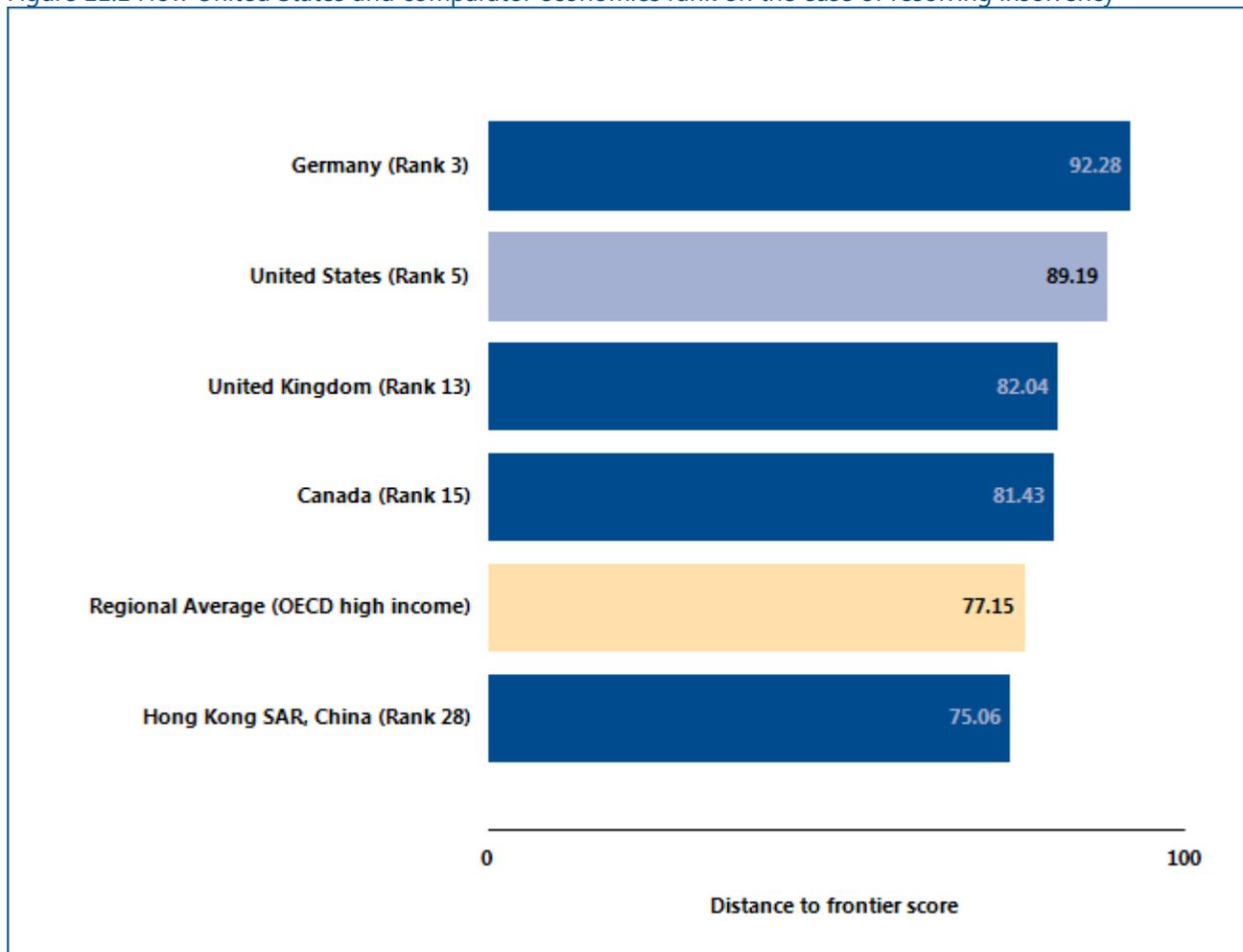
## RESOLVING INSOLVENCY

### Where does the economy stand today?

Globally, United States stands at 5 in the ranking of 190 economies on the ease of resolving insolvency (figure 11.1). The ranking of economies on the ease of resolving insolvency is determined by sorting their distance to frontier scores for resolving insolvency. These scores are the simple average of the distance to frontier scores for the recovery rate and the strength of insolvency

framework index. The Resolving Insolvency indicator does not measure insolvency proceedings of individuals and financial institutions. The data are derived from questionnaire responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on bankruptcy systems.

Figure 11.1 How United States and comparator economies rank on the ease of resolving insolvency



Source: Doing Business database.

## RESOLVING INSOLVENCY

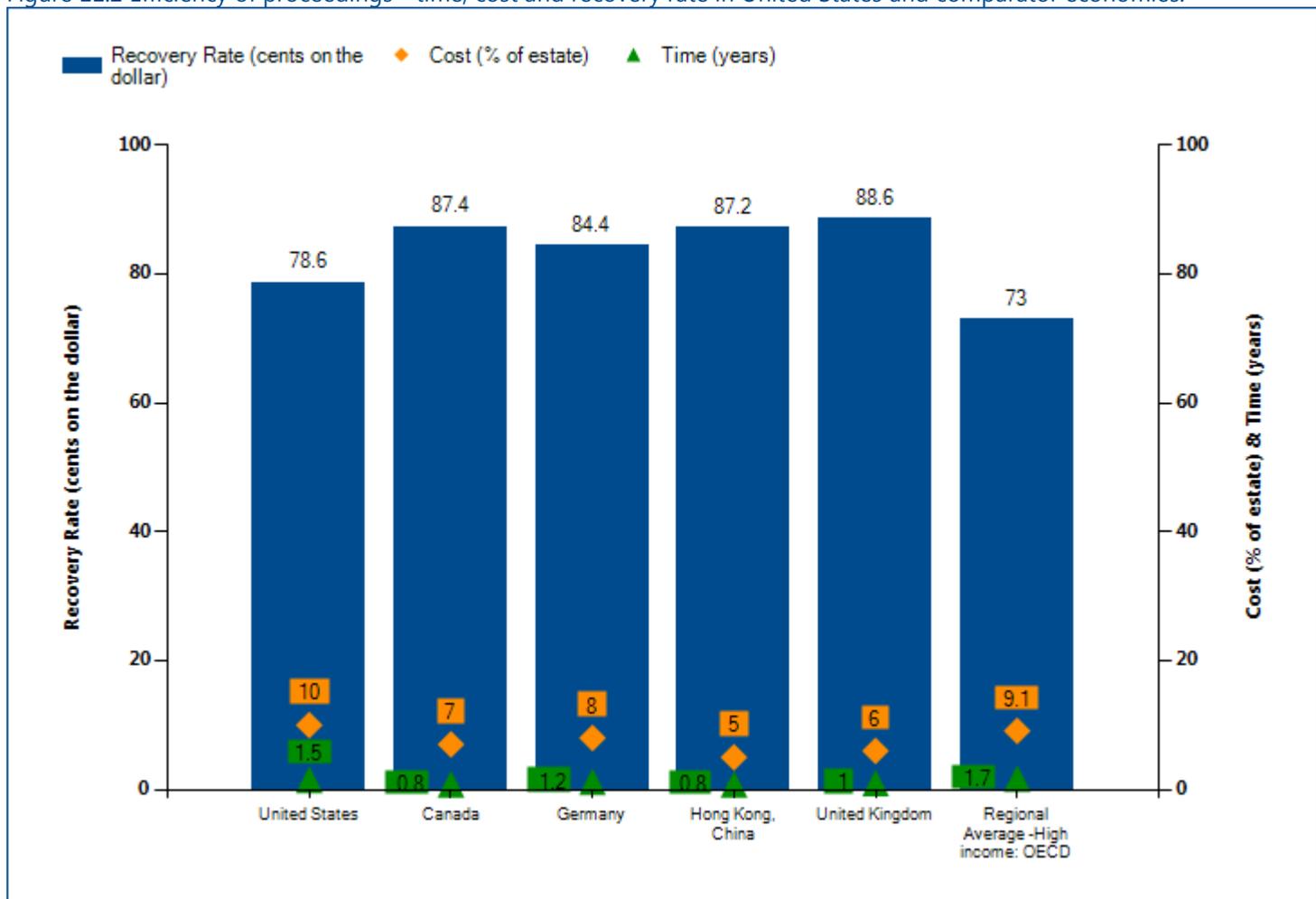
### Recovery of debt in insolvency

Data on the time, cost and outcome refer to the most likely in-court insolvency procedure applicable under specific case study assumptions.

According to data collected by *Doing Business*, resolving insolvency takes 1.5 years on average and costs 10.0% of the debtor’s estate. The average recovery rate is 78.6 cents on the dollar. Most indicator sets refer to a case

scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities.

Figure 11.2 Efficiency of proceedings - time, cost and recovery rate in United States and comparator economies.



Source: *Doing Business* database.

Note: The recovery rate is calculated based on the time, cost and outcome of insolvency proceedings involving domestic legal entities and is recorded as cents on the dollar recovered by secured creditors. The calculation takes into account the outcome: whether the business emerges from the proceedings as a going concern or the assets are sold piecemeal. Then the costs of the proceedings are deducted. Finally, the value lost as a result of the time the money remains tied up in insolvency proceedings is taken into account. The recovery rate is the present value of the remaining proceeds, based on end-2015 lending rates.

Table 11.1 Summary of data for the strength of insolvency framework index United States

		Answer	Explanation
Proceeding	New York City, Los Angeles	reorganization	As a general rule, unless a debtor believes that restructuring is hopeless, a debtor will likely seek bankruptcy protection. This is particularly true in a case where the chairman or other decision-maker controls and/or owns a large portion of the debtor equity. Moreover, under U.S. bankruptcy law, absent evidence of fraud or gross mismanagement, existing management is permitted to operate the debtor during the bankruptcy and has the first opportunity to file a plan. Mirage would therefore likely file for bankruptcy protection and seek and likely achieve a reorganization. However, there is a chance in the current environment that the case could end in a sale or return of the security (i.e., liquidation after a voluntary filing).
Outcome	New York City, Los Angeles	going concern	The hotel will continue operating after reorganization. Even if the hotel is sold, it will likely be sold as a going concern, because it would be worth less if it stopped operating.
Time (in years)	New York City, Los Angeles	1.5	A Chapter 11 restructuring may take up to 18 months. Hotel management will file for voluntary reorganization under Chapter 11. At that time, all other proceedings will be automatically stayed. Hotel management will continue operating the hotel under supervision of the US Trustee and a committee of unsecured creditors (appointed by the US Trustee). Unofficial (ad hoc) committees may also be involved. The hotel management will prepare a schedule of assets and liabilities, where it will list all of the known claims against Mirage. The court will then issue an order setting the date for all creditors to submit proof of their claims. If debtor and creditors do not agree on each other's representation of the loan, the issues will be litigated before the court. Once all claims have been confirmed, Mirage will propose a reorganization plan, which must pass "the best interest of the creditors test", so that creditors who vote against the plan receive at least as much as they would have received if the debtor were liquidation. The creditors will vote on the plan and accept it. When the plan becomes effective, the court will enter a final decree closing the case.
Cost (% of estate)	New York City, Los Angeles	10.0	Major expenses will include attorneys' fees (5%), fees of accountants involved in the restructuring proceedings (3%) and court fees (2%).
<b>Recovery rate: 78.6</b>			

Source: Doing Business database.

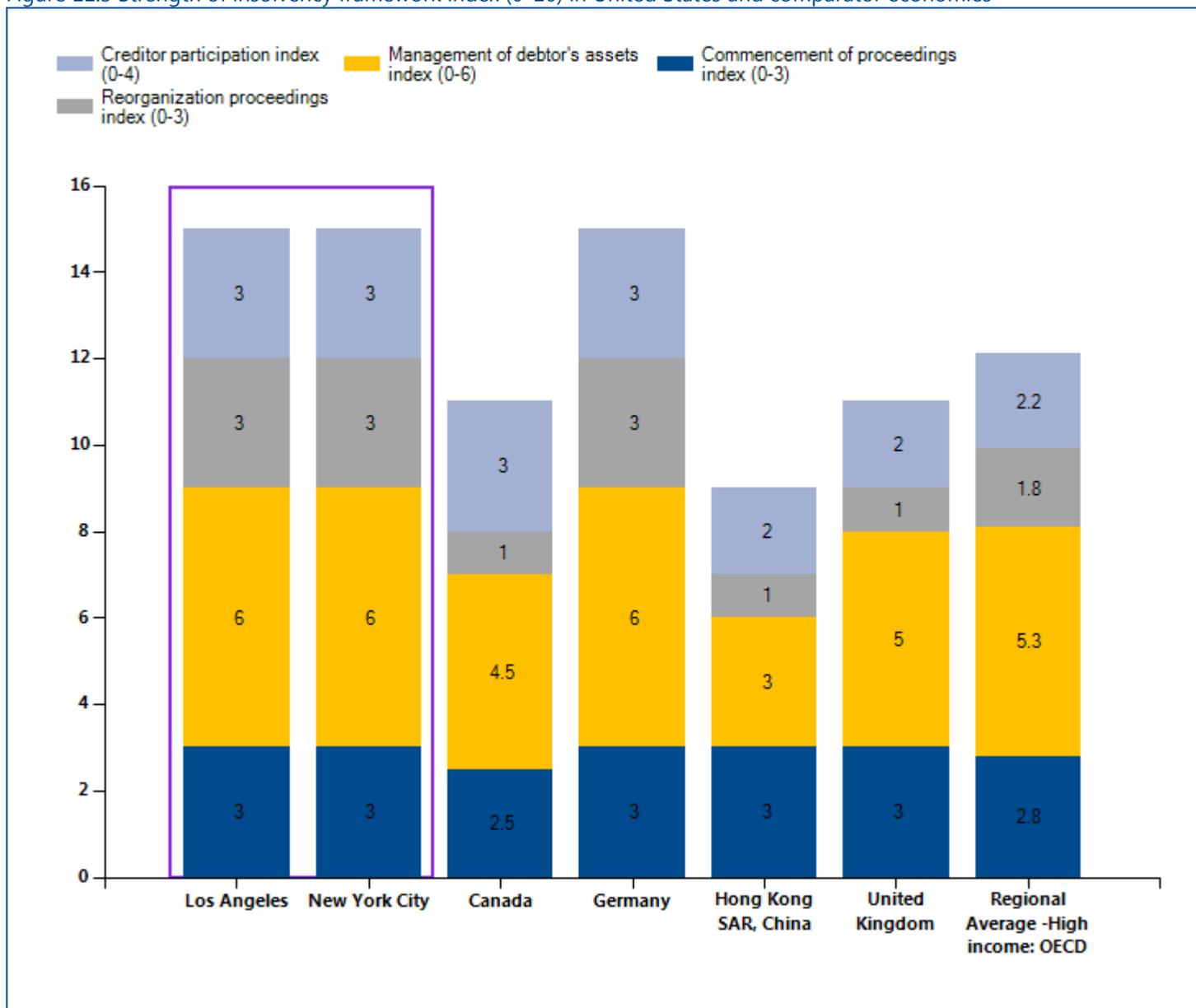
### RESOLVING INSOLVENCY

#### Strength of resolving insolvency index

The strength of insolvency framework index is the sum of the scores on the commencement of proceedings index, management of debtor's assets index, reorganization proceedings index and creditor participation index. The index ranges from 0 to 16,

with higher values indicating insolvency legislation that is better designed for rehabilitating viable firms and liquidating nonviable ones. United States scores 15.0 out of 16 on the strength of resolving insolvency index.

Figure 11.3 Strength of insolvency framework index (0-16) in United States and comparator economies



Source: Doing Business database.

Note: Even if the economy's legal framework includes provisions related to insolvency proceedings (liquidation or reorganization), the economy receives 0 points for the strength of insolvency framework index, if time, cost and outcome indicators are recorded as "no practice".

Table 11.2 Summary of data for the strength of insolvency framework index United States

	Answer (New York City)	Score (New York City)	Answer (Los Angeles)	Score (Los Angeles)
Strength of insolvency framework index (0-16)		15.0		15.0
Commencement of proceedings index (0-3)		3.0		3.0
What procedures are available to a DEBTOR when commencing insolvency proceedings?	(a) Debtor may file for both liquidation and reorganization	1.0	(a) Debtor may file for both liquidation and reorganization	1.0
Does the insolvency framework allow a CREDITOR to file for insolvency of the debtor?	(a) Yes, a creditor may file for both liquidation and reorganization	1.0	(a) Yes, a creditor may file for both liquidation and reorganization	1.0
What basis for commencement of the insolvency proceedings is allowed under the insolvency framework?	(a) Debtor is generally unable to pay its debts as they mature	1.0	(a) Debtor is generally unable to pay its debts as they mature	1.0
Management of debtor's assets index (0-6)		6.0		6.0
Does the insolvency framework allow the continuation of contracts supplying essential goods and services to the debtor?	Yes	1.0	Yes	1.0
Does the insolvency framework allow the rejection by the debtor of overly burdensome contracts?	Yes	1.0	Yes	1.0
Does the insolvency framework allow avoidance of preferential transactions?	Yes	1.0	Yes	1.0
Does the insolvency framework allow avoidance of undervalued transactions?	Yes	1.0	Yes	1.0
Does the insolvency framework provide for the possibility of the debtor obtaining credit after commencement of insolvency proceedings?	Yes	1.0	Yes	1.0

	Answer (New York City)	Score (New York City)	Answer (Los Angeles)	Score (Los Angeles)
Does the insolvency framework assign priority to post-commencement credit?	(b) Yes over ordinary unsecured creditors but not over secured creditors	1.0	(b) Yes over ordinary unsecured creditors but not over secured creditors	1.0
Reorganization proceedings index (0-3)		3.0		3.0
Which creditors vote on the proposed reorganization plan?	(b) Only creditors whose rights are affected by the proposed plan	1.0	(b) Only creditors whose rights are affected by the proposed plan	1.0
Does the insolvency framework require that dissenting creditors in reorganization receive at least as much as what they would obtain in a liquidation?	Yes	1.0	Yes	1.0
Are the creditors divided into classes for the purposes of voting on the reorganization plan, does each class vote separately and are creditors in the same class treated equally?	Yes	1.0	Yes	1.0
Creditor participation index (0-4)		3.0		3.0
Does the insolvency framework require approval by the creditors for selection or appointment of the insolvency representative?	Yes	1.0	Yes	1.0
Does the insolvency framework require approval by the creditors for sale of substantial assets of the debtor?	No	0.0	No	0.0
Does the insolvency framework provide that a creditor has the right to request information from the insolvency representative?	Yes	1.0	Yes	1.0
Does the insolvency framework provide that a creditor has the right to object to decisions accepting or rejecting creditors' claims?	Yes	1.0	Yes	1.0

Source: Doing Business database.

## LABOR MARKET REGULATION

*Doing Business* studies the flexibility of regulation of employment, specifically as it relates to the areas of hiring, working hours and redundancy. *Doing Business* also measures several aspects of job quality such as the availability of maternity leave, paid sick leave and the equal treatment of men and women at the workplace.

*Doing Business 2017* presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on these indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business. Detailed data collected on labor market regulation are available on the *Doing Business* website (<http://www.doingbusiness.org>). The data on labor market regulation are based on a detailed questionnaire on employment regulations that is completed by local lawyers and public officials. Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

To make the data comparable across economies, several assumptions about the worker and the business are used.

The worker:

- Is a cashier in a supermarket or grocery store, age 19, with one year of work experience.
- Is a full-time employee.
- Is not a member of the labor union, unless membership is mandatory.

The business:

- Is a limited liability company (or the equivalent in the economy).

- Operates a supermarket or grocery store in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Has 60 employees.
- Is subject to collective bargaining agreements if such agreements cover more than 50% of the food retail sector and they apply even to firms that are not party to them.
- Abides by every law and regulation but does not grant workers more benefits than those mandated by law, regulation or (if applicable) collective bargaining agreements.

## LABOR MARKET REGULATION

### What are the details?

The data reported here for United States are based on a detailed survey of labor market regulation that is completed by local lawyers and public officials.

Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

#### Hiring

Data on hiring cover five areas: (i) whether fixed-term contracts are prohibited for permanent tasks; (ii) the maximum cumulative duration of fixed-term contracts; (iii) the minimum wage for a cashier, age 19, with one year of work experience; and (iv) the ratio of the

minimum wage to the average value added per worker (the ratio of an economy's GNI per capita to the working-age population as a percentage of the total population).

Hiring	New York City Data	Los Angeles Data
Fixed-term contracts prohibited for permanent tasks?	No	No
Maximum length of a single fixed-term contract (months)	No limit	No limit
Maximum length of fixed-term contracts, including renewals (months)	No limit	No limit
Minimum wage applicable to the worker assumed in the case study (US\$/month)	1519.2	1688.0
Ratio of minimum wage to value added per worker	0.2	0.2

Source: *Doing Business* database.

## LABOR MARKET REGULATION

### Working hours

Data on working hours cover nine areas: i) the maximum number of working days allowed per week; (ii) the premium for night work (as a percentage of hourly pay); (iii) the premium for work on a weekly rest day (as a percentage of hourly pay); (iv) the premium for overtime work (as a percentage of hourly pay); (v) whether there are restrictions on night work; (vi) whether nonpregnant

and nonnursing women can work the same night hours as men; (vii) whether there are restrictions on weekly holiday work; (viii) whether there are restrictions on overtime work; and (ix) the average paid annual leave for workers with 1 year of tenure, 5 years of tenure, and 10 years of tenure.

Working Hours	New York City Data	Los Angeles Data
Maximum number of working days per week	6.0	6.0
Premium for night work (% of hourly pay)	0.0	0.0
Premium for work on weekly rest day (% of hourly pay)	0.0	0.0
Premium for overtime work (% of hourly pay)	50.0	50.0
Restrictions on night work?	No	No
Whether nonpregnant and nonnursing women can work the same night hours as men	Yes	Yes
Restrictions on weekly holiday?	No	No
Restrictions on overtime work?	No	No
Paid annual leave for a worker with 1 year of tenure (working days)	0.0	0.0
Paid annual leave for a worker with 5 years of tenure (working days)	0.0	0.0
Paid annual leave for a worker with 10 years of tenure (working days)	0.0	0.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	0.0	0.0

Source: Doing Business database.

## LABOR MARKET REGULATION

### Redundancy rules

Data on redundancy cover nine areas: (i) the length of the maximum probationary period (in months) for permanent employees; (ii) whether redundancy is allowed as a basis for terminating workers; (iii) whether the employer needs to notify a third party (such as a government agency) to terminate one redundant worker; (iv) whether the employer needs to notify a third party to terminate a group of nine redundant workers; (v)

whether the employer needs approval from a third party to terminate one redundant worker; (vi) whether the employer needs approval from a third party to terminate a group of nine redundant workers; (vii) whether the law requires the employer to reassign or retrain a worker before making the worker redundant; (viii) whether priority rules apply for redundancies; and (ix) whether priority rules apply for reemployment.

Difficulty of redundancy index	New York City Data	Los Angeles Data
Maximum length of probationary period (months)	n.a.	n.a.
Dismissal due to redundancy allowed by law?	Yes	Yes
Third-party notification if one worker is dismissed?	No	No
Third-party approval if one worker is dismissed?	No	No
Third-party notification if nine workers are dismissed?	No	No
Third-party approval if nine workers are dismissed?	No	No
Retraining or reassignment obligation before redundancy?	No	No
Priority rules for redundancies?	No	No
Priority rules for reemployment?	No	No

Source: Doing Business database.

## LABOR MARKET REGULATION

### Redundancy cost

Redundancy cost measures the cost of advance notice requirements and severance payments due when terminating a redundant worker, expressed in weeks of salary. The average value of notice requirements and

severance payments applicable to a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is considered. One month is recorded as 4 and 1/3 weeks.

Redundancy cost indicator (in salary weeks)	New York City Data	Los Angeles Data
Notice period for redundancy dismissal for a worker with 1 year of tenure	0.0	0.0
Notice period for redundancy dismissal for a worker with 5 years of tenure	0.0	0.0
Notice period for redundancy dismissal for a worker with 10 years of tenure	0.0	0.0
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	0.0	0.0
Severance pay for redundancy dismissal for a worker with 1 year of tenure	0.0	0.0
Severance pay for redundancy dismissal for a worker with 5 years of tenure	0.0	0.0
Severance pay for redundancy dismissal for a worker with 10 years of tenure	0.0	0.0
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	0.0	0.0

Source: *Doing Business* database.

## LABOR MARKET REGULATION

### Job quality

Doing Business introduced new data on job quality in 2015. Doing Business 2017 covers eight questions on job quality (i) whether the law mandates equal remuneration for work of equal value; (ii) whether the law mandates nondiscrimination based on gender in hiring; (iii) whether the law mandates paid or unpaid maternity leave; (iv) the minimum length of paid maternity leave (in calendar days); (v) whether employees on maternity leave receive 100% of wages; (vi) the availability of five fully paid days of sick leave a year; (vii) whether a worker is eligible for an unemployment protection scheme after one year of service; and (viii) the minimum duration of the contribution period (in months) required for unemployment.

Job Quality	New York City Data	Los Angeles Data
Equal remuneration for work of equal value?	No	No. Several legislative acts promote gender equality in labor relations including the Fair Labor Standards Act of 1938 and the California Labor Code Section 1197.5, which prohibits employers "to pay any employees at wage rates less than the rates paid to employees of the opposite sex for substantially similar work, when viewed as a composite of skill, effort, and responsibility, and performed under similar working conditions". However the definitions used in these legislative acts do not comply with the ILO's definition of "equal pay for work of equal value"

<b>Job Quality</b>	<b>New York City Data</b>	<b>Los Angeles Data</b>
Gender nondiscrimination in hiring?	Yes	Yes
Paid or unpaid maternity leave mandated by law?	Yes	Yes
Minimum length of maternity leave (calendar days)?	0.0	0.0
Receive 100% of wages on maternity leave?	n.a.	n.a.
Five fully paid days of sick leave a year?	Yes	No
Unemployment protection after one year of employment?	Yes	Yes
Minimum contribution period for unemployment protection (months)?	6.0	12.0

Source: *Doing Business* database.

## DISTANCE TO FRONTIER AND EASE OF DOING BUSINESS RANKING

*Doing Business* presents results for two aggregate measures: the distance to frontier score and the ease of doing business ranking, which is based on the distance to frontier score. The ease of doing business ranking compares economies with one another; the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each *Doing Business* indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking can show only how much the regulatory environment has changed relative to that in other economies.

### Distance to Frontier

The distance to frontier score captures the gap between an economy's performance and a measure of best practice across the entire sample of 36 indicators for 10 *Doing Business* topics (the labor market regulation indicators are excluded). For starting a business, for example, the former Yugoslav Republic of Macedonia and New Zealand have the smallest number of procedures required (1), and New Zealand the shortest time to fulfill them (0.5 days). Slovenia has the lowest cost (0.0), and Australia, Colombia and 103 other economies have no paid-in minimum capital requirement (table 14.1 in the *Doing Business 2016* report).

#### Calculation of the distance to frontier score

Calculating the distance to frontier score for each economy involves two main steps. In the first step individual component indicators are normalized to a common unit where each of the 36 component indicators  $y$  (except for the total tax rate) is rescaled using the linear transformation  $(\text{worst} - y)/(\text{worst} - \text{frontier})$ . In this formulation the frontier represents the best performance on the indicator across all economies since 2005 or the third year in which data for the indicator were collected. Both the best performance and the worst performance are established every five years based on the *Doing Business* data for the year in which they are established, and remain at that level for the five years regardless of any changes in data in interim years. Thus an economy may set the frontier for an indicator

even though it is no longer at the frontier in a subsequent year.

For scores such as those on the strength of legal rights index or the quality of land administration index, the frontier is set at the highest possible value. For the total tax rate, consistent with the use of a threshold in calculating the rankings on this indicator, the frontier is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis up to and including *Doing Business 2015*. For the time to pay taxes the frontier is defined as the lowest time recorded among all economies that levy the three major taxes: profit tax, labor taxes and mandatory contributions, and value added tax (VAT) or sales tax. For the different times to trade across borders, the frontier is defined as 1 hour even though in many economies the time is less than that.

In the same formulation, to mitigate the effects of extreme outliers in the distributions of the rescaled data for most component indicators (very few economies need 700 days to complete the procedures to start a business, but many need 9 days), the worst performance is calculated after the removal of outliers. The definition of outliers is based on the distribution for each component indicator. To simplify the process two rules were defined: the 95th percentile is used for the indicators with the most dispersed distributions (including minimum capital, number of payments to pay taxes, and the time and cost indicators), and the 99th percentile is used for number of procedures. No outlier is removed for component indicators bound by definition or construction, including legal index scores (such as the depth of credit information index, extent of conflict of interest regulation index and strength of insolvency framework index) and the recovery rate.

In the second step for calculating the distance to frontier score, the scores obtained for individual indicators for each economy are aggregated through simple averaging into one distance to frontier score, first for each topic and then across all 10 topics: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly

identical to the simple average used by *Doing Business*<sup>2</sup>. Thus *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components<sup>3</sup>.

An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. All distance to frontier calculations are based on a maximum of five decimals. However, indicator ranking calculations and the ease of doing business ranking calculations are based on two decimals.

The difference between an economy's distance to frontier score in any previous year and its score in 2015 illustrates the extent to which the economy has closed the gap to the regulatory frontier over time. And in any given year the score measures how far an economy is from the best performance at that time.

#### Treatment of the total tax rate

The total tax rate component of the paying taxes indicator set enters the distance to frontier calculation in a different way than any other indicator. The distance to frontier score obtained for the total tax rate is transformed in a nonlinear fashion before it enters the distance to frontier score for paying taxes. As a result of the nonlinear transformation, an increase in the total tax rate has a smaller impact on the distance to frontier score for the total tax rate—and therefore on the distance to frontier score for paying taxes—for economies with a below-average total tax rate than it would have had before this approach was adopted in *Doing Business 2015* (line B is smaller than line A in figure 14.2 in the *Doing Business 2016* report). And for economies with an extreme total tax rate (a rate that is very high relative to the average), an increase has a greater impact on both these distance to frontier scores than it would have had before (line D is bigger than line C in figure 14.2 in the *Doing Business 2016* report).

<sup>2</sup> See Djankov, Manraj and others (2005). Principal components and unobserved components methods yield a ranking nearly identical to that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.

<sup>3</sup> For getting credit, indicators are weighted proportionally, according to their contribution to the total score, with a weight of 60% assigned to the strength of legal rights index and 40% to the depth of credit information index. Indicators for all other topics are assigned equal weights

The nonlinear transformation is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in an economy's overall tax system. Instead, it is mainly empirical in nature. The nonlinear transformation along with the threshold reduces the bias in the indicator toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). In addition, it acknowledges the need of economies to collect taxes from firms.

#### Calculation of scores for economies with 2 cities covered

For each of the 11 economies in which *Doing Business* collects data for the second largest business city as well as the largest one, the distance to frontier score is calculated as the population-weighted average of the distance to frontier scores for these two cities (table 13.1). This is done for the aggregate score, the scores for each topic and the scores for all the component indicators for each topic.

Table 13.1 Weights used in calculating the distance to frontier scores for economies with 2 cities covered

Economy	City	Weight (%)
Bangladesh	Dhaka	78
	Chittagong	22
Brazil	São Paulo	61
	Rio de Janeiro	39
China	Shanghai	55
	Beijing	45
India	Mumbai	47
	Delhi	53
Indonesia	Jakarta	78
	Surabaya	22
Japan	Tokyo	65
	Osaka	35
Mexico	Mexico City	83
	Monterrey	17
Nigeria	Lagos	77
	Kano	23
Pakistan	Karachi	65
	Lahore	35
Russian Federation	Moscow	70
	St. Petersburg	30
United States	New York	60
	Los Angeles	40

Source: United Nations, Department of Economic and Social Affairs, Population Division, World Urbanization Prospects, 2014 Revision. <http://esa.un.org/unpd/wup/CD-ROM/Default.aspx>.

### Economies that improved the most across 3 or more *Doing Business* topics in 2014/15

*Doing Business 2016* uses a simple method to calculate which economies improved the ease of doing business the most. First, it selects the economies that in 2014/15

implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year's aggregate distance to frontier score. Changes making it more difficult to do business are subtracted from the total number of those making it easier to do business. Twenty-four economies meet this criterion: Armenia; Azerbaijan; Benin; Costa Rica; Côte d'Ivoire; Cyprus; Hong Kong SAR, China; Indonesia; Jamaica; Kazakhstan; Kenya; Lithuania; Madagascar; Mauritania; Morocco; Romania; the Russian Federation; Rwanda; Senegal; Togo; Uganda; the United Arab Emirates; Uzbekistan; and Vietnam. Second, *Doing Business* sorts these economies on the increase in their distance to frontier score from the previous year using comparable data.

Selecting the economies that implemented regulatory reforms in at least three topics and had the biggest improvements in their distance to frontier scores is intended to highlight economies with ongoing, broad-based reform programs. The improvement in the distance to frontier score is used to identify the top improvers because this allows a focus on the absolute improvement—in contrast with the relative improvement shown by a change in rankings—that economies have made in their regulatory environment for business.

### Ease of *Doing Business* ranking

The ease of doing business ranking ranges from 1 to 190. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to 2 decimals.

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*Doing Business 2017* is the 14th in a series of annual reports investigating the regulations that enhance business activity and those that constrain it. The report provides quantitative indicators covering 11 areas of the business environment in 190 economies. The goal of the *Doing Business* series is to provide objective data for use by governments in designing sound business regulatory policies and to encourage research on the important dimensions of the regulatory environment for firms.



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