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The Benefits of Mexican Investment in the U.S.

A STRATEGIC ADVANTAGE

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When managing international business profits, many entrepreneurs and business owners assume that the United States has a more stringent tax regime compared to other countries, such as Mexico. This perception often leads to the belief that it's more advantageous to keep profits abroad rather than investing it or repatriating them to the U.S. However, this assumption is far from the truth.

In reality, the U.S. boasts a lower corporate tax rate and fewer reporting obligations than its neighboring countries, making it a surprisingly tax-friendly environment for businesses. Here, we'll explain why repatriating profits to the U.S. can be more beneficial, provide a clear picture on how nearshoring can facilitate that process and show the benefits to U.S. investment.

SUMMARY

SIMPLIFIED TAX REPORTING
ABILITY TO HAVE MORE TAX DEDUCTIONS
EASE OF BUSINESS SETUP
LOWER TAX RATES
ABILITY TO REPATRIATE EARNINGS TAX FREE
TAX INCENTIVES FOR MAKING FOREIGN SALES FROM U.S. BASE

Simplified Reporting Obligations

The U.S. regulatory environment is a straightforward system compared to Mexico's. In the U.S., businesses face fewer and less complex reporting obligations, such as only reporting taxes once per year, which significantly reduces the administrative burden on companies.

A key example is the Mexican invoice regime. In Mexico, businesses are obligated to issue invoices ("*facturas*") for all income they earn. The tax system requires detailed documentation to support expenses, necessitating a rigorous invoice process. This procedure can be both time consuming and costly, as facturas must be prepared by authorized third parties, and it can be very costly for businesses with significant transaction volumes. Each invoice must be registered with SAT (Mexico's tax authority) and contain details like the products or services purchased, the amount paid, the IVA tax assessed and identifying tax information for both the business and purchaser.

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In contrast, the U.S. tax system is less stringent regarding backup documentation for expenses. Businesses can use any record-keeping system if it shows a summary of business transactions with clear and accurate details. Also, U.S. tax regulations allow for a higher standard deduction and a broad category of supporting documents to back up deductions. As long as you can prove the expense was paid and it was necessary for the business, the deduction is allowed.

This flexibility simplifies accounting processes and reduces the administrative workload, making the U.S. an attractive environment for business operations.

Ease of Business Setup

Additionally, the U.S. has a very business-friendly climate for forming and governing business entities, making it a desirable forum for business. A corporation or LLC can even be formed in only a few days, and ready for business. Once the business is formed it is also very quick to begin operations and open bank accounts.

Lower Tax Rates in the U.S.

One of the most significant benefits for Mexican investors in the U.S. is the relatively lower corporate tax rate. The U.S. federal corporate tax rate stands at 21%, which is generally lower than Mexico's corporate tax rate of 30%, and even lower or competitive with some of Mexico's incentive tax rates. This difference in tax rates can result in substantial savings for businesses, allowing them to reinvest more capital into their operations and growth.

Nearshoring and Repatriation of Earnings to the U.S. through Maquiladoras

Nearshoring has become a profitable business practice for business between the U.S. and Mexico. This consists of the practice of having products manufactured in a bordering country, lowering the cost of production. The proximity of the U.S. to Mexico, and the ability of the Mexican manufacturing to take advantage of incentives for importing finished goods into the U.S., make Mexico a desirable choice for nearshoring operations through the Mexican manufacturers ("*maquiladoras*").

Further, having a U.S. base for operations and sales can also take advantage of two more tax benefits: FDDEI and the participation exemption.

Foreign-Derived Deduction Eligible Income (FDDEI)

The 2017 Tax Cuts and Jobs Act, as modified by the One Big Beautiful Bill Act (OBBBA) signed into law on July 4, 2025, provides that a domestic corporation shall be allowed a deduction of 33.34% of their FDDEI on export sales and services income. The deduction reduces the effective tax rate of FDDEI to 14% for tax years beginning after December 31, 2025.

The FDDEI deduction applies to export sales or services income that meets the requirements. The simplified formula is now: FDDEI Deduction = 33.34% x FDDEI. Therefore, the FDDEI deduction offers a tax planning strategy for U.S. C-Corporations that export goods or services benefitting non-U.S. operations.

Participation Exemption

Prior to 2018, U.S. corporate shareholders were taxed when receiving dividends of a foreign corporation. Now, such dividends are no longer taxable when the domestic corporation owns at least a 10% interest in the foreign subsidiary. Therefore, dividends from a maquiladora are generally exempt from tax under the participation exemption.

One caveat to this planning is that the dividends could still be taxed in Mexico, making it imperative to seek professional tax advice in Mexico if relying on the participation exemption for your U.S. tax planning. The international tax law attorneys at Hone Maxwell, LLP, with offices in San Diego and Tijuana, Mexico, are available to answer any questions you may have about investing in the U.S.

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