

# Wyoming's Secretary of State Forms New Laws Governing LLCs

*Wyoming has enacted new laws aimed at maintaining affordability and asset protection. This intensifies the incorporation battle between WY, Nevada and Delaware.*

GILLETTE, WYOMING (WY), UNITED STATES, March 20, 2017

/EINPresswire.com/ -- The state of Wyoming was the first to allow Limited Liability Corporations, or LLCs as they are now known. Since their formation in the early 70's, WY, along with NV and DE, has continued to lead the nation in developing the laws and norms governing such entities. The the previous five years have continued to lay testament to these states being forerunners to a larger movement. Since then every state and numerous additional countries have allowed for the creation of such entities.



At this time, Wyoming, Nevada and Delaware are the most popular destinations for incorporations – for both traditional C-Corporations and Limited Liability Corporations. The reasons most often cited are due to their privacy, taxes, asset protection and fees.

The three above states all allow for anonymous ownership of LLCs. This means the owners and managers of the companies are not held in any publicly searchable database, nor are they even known by the respective Secretary of State. Statutes governing traditional Corporations, though, are crafted differently though they ultimately function equivalently. That is to say, each state requires a corporate officer be listed publicly. Each state, however, allows what are termed nominee officers or “officers-for-a-day”. That is, an individual who is made an officer of the company solely for the purpose of placing their name on the public record. The individual holds no further responsibilities, abilities or obligations with the corporation in question. This allows them to maintain privacy and protect their identity.

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The second reason cited for forming companies in the mentioned domiciles is to minimize taxes. Both Corporations and Limited Liability Companies are given great latitude when deciding where they desire their headquarters or “nexus” to be. Through a method termed income shifting businesses are able to allocate income to low tax jurisdictions. This shifting results in a lower tax burden enabling further investment.

This shifting is done through what is termed transfer pricing between related entities. Essentially, a separate but related entity is formed for the purpose of holding valuable assets and leasing them back to the company needing them for operations. This structuring serves a second purpose as well. It succeeds in placing corporate assets and corporate liabilities in separate entities. This means there are asset protection benefits associated with what is commonly referred to as a double LLC structure.

This structuring takes advantage of the lack of income tax on businesses in Delaware, Nevada and Wyoming. However, only NV and WY allow for what is termed charging order protection. This protection provides an additional benefit for owners and shareholders in these state's businesses. It is known forming an LLC provides a barrier between personal and corporate creditors. Specifically, corporate creditors cannot seize personal assets. The corporate veil may only be pierced in the case of fraud. Personal creditors, though, may seize a person's business assets and in the case of single-member LLCs force a distribution. WY and NV, though, do not allow forced distributions. They may only seize distributions if one ever occurs. This strengthens the owners hand as they may out wait their creditors – providing valuable time and breathing space, and hopefully preventing a worse case scenario.

The final noted reason for creating a company in the aforementioned states is their low fees. Delaware is home to many Fortune 500 companies and international organizations. They have thus raised fees to high levels with little effect on their core constituency. Nevada's Secretary previously did not charge high fees, but has raised them over the previous decade. This act of the legislature was aimed to take advantage of their high-profile. In response, Wyoming has kept its filing fees the same for a decade now. You may view the [Wyoming Secretary of State](#) here.

The legislature's intentional lack of fee increases has been designed to keep companies in state and promote doing business in Wyoming. While WY remains maintains the lead with small and medium sized companies, Delaware dominates the field for large corporations. In part due to its specialized court system specifically for business disputes. NV meanwhile has fallen behind, but we cannot expect it to remain still for long.

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