



Incorporating in Delaware vs. Nevada vs. Wyoming

Comparison Between Incorporation-Friendly States

It is commonly recognized today that [Delaware](#), [Wyoming](#) and [Nevada](#) can all be called "incorporation friendly" states due to their corporative laws, relatively low fees, and limited or nonexistent state-level taxation. However, how would a person choose between the three?

NOTE: *it is important to understand that in many cases the right choice of the state has to do with physical location of the business, and not with arbitrary choice of "more attractive" state. Before making any choice we recommend you to first read our article dealing with [Choosing Where To Incorporate](#).*

Here we present an itemized comparison between those states, and below a summary and conclusions:

	Delaware	Wyoming	Nevada
No state corporate income tax:		✓	✓
No tax on corporate shares:	✓	✓	✓
No franchise tax:		✓	✓
Minimal annual fees:		✓	
One-person corporation is allowed:	✓	✓	✓
Stockholders are not revealed to the State:	✓	✓	✓
No annual report is required until the anniversary of the incorporation date:		✓	
No Initial List of Officers/Members is filed with the state:	✓	✓	
No general Business License required:	✓	✓	
Unlimited stock is allowed, of any par value:	✓	✓	
Nominee shareholders are allowed:		✓	✓
Share certificates are not required:		✓	
Minimal initial filing fees:		✓	
No minimum capital requirements:	✓	✓	✓
Meetings may be held anywhere:	✓	✓	✓
Officers, directors, employees and agents are statutorily indemnified:		✓	✓
Continuance procedure (allows adoption of a corporation formed in another state):		✓	
Doesn't collect corporate income tax information to share with the IRS:		✓	✓

Summary & Conclusions:

In general, Delaware, through its developed legal system and laws protecting shareholder rights, is geared toward the large complex public corporations, whereas Nevada and Wyoming are more attractive to the small privately held corporations and LLCs. Delaware law tends to protect the rights of boards of directors and shareholders, while Nevada and Wyoming tend to favor management.

Does the above comparison mean Delaware is not the best place to incorporate?

Not necessarily. The choice to incorporate in Delaware depends on the long term goals of your company.

Delaware has an excellent body of corporate case law spanning 110 years regarding such matters as management/shareholder issues and mergers & acquisitions, and that's precisely why the Fortune 500 are drawn to this state. Delaware laws tend to be "pro-management" when it comes to minority shareholder disputes. Huge public companies have literally hundreds of such disputes pending in the courts on any given day.

So if you are aiming to grow your company to become a Fortune 500 company (or at least planning it to attract VC investors and possibly go for IPO one day), Delaware's case law offers many insights into what you can and cannot do, and what the likely consequences may be.

Unfortunately, Delaware also has corporate income tax, personal income tax, a state franchise tax, reporting requirements and regulations compelling disclosure of substantial amounts of information resulting in far less privacy for you. That makes Nevada and Wyoming much more attractive for small privately owned businesses.

Nevada or Wyoming? Things to consider when choosing between the two states:

1. Information sharing with IRS:

Nevada is famed as the only state that does not share information with the IRS. Although that fact by itself is true, there are few things that you should know about it:

First of all, Wyoming does share information with the IRS, but only the information given by companies with real assets inside the state. So if you don't have any real estate in Wyoming you are as protected in that regard as in Nevada.

Second, Nevada makes IRS mad. That means if you are in Nevada the IRS is targeting you because you are in a non friendly state.

2. Piercing of corporate veil:

The corporate veil separates the assets and liabilities of the company from the assets and liabilities of its owners, thus protecting owners from business risk. Nevada offers the best corporate veil protection available.

Wyoming also has well established criteria concerning the piercing of the corporate veil. Where fraud is not present, a Wyoming corporation that does not co-mingle funds and maintains some form of corporate formalities, including holding meetings of shareholders and directors, will not be pierced.

Many professionals consider Wyoming to be inferior to Nevada in that regard, with others claiming the differences are negligible.

3. State taxes:

There are no state income taxes on individuals or companies both in Nevada and Wyoming.

However, Nevada is now considered "the worst state to do business in" by the non-partisan Tax Foundation that has pointed to the new changes to Nevada taxation. Recently, annual list and business license fees which were already the 3rd highest in the nation were increased to \$350 for LLCs and a whopping \$650 a year for profit corporations. Nevada also has a new "Commerce Tax" on your GROSS REVENUE if your combined gross revenue of all of your Nevada business entities is over \$4 million per year! In other words, the state will combine the income of multiple corporations of any common owner and apply the Commerce Tax if the combined revenue reaches the \$4 million threshold.

Wyoming is not considering any business income tax and does not need to, since Wyoming has a multiple year budget surplus.

4. Continuance (moving your company to another state):

Wyoming is one of only two states that provides for true continuance in its corporate laws. Many states provide for domestication, but that is not the same thing.

If a foreign corporation decides to domesticate in another state it either creates a new corporate entity in that state or it adds additional domiciles. However, in Wyoming, continuance is a process by which Wyoming creates the legal fiction that the corporation has always maintained its domicile in Wyoming.

Your existing corporation can retain its original incorporation date after becoming a Wyoming corporation. Anyone examining the Wyoming public record will see a corporation dating back as far as your current corporation does. You can promptly become a Wyoming Corporation without losing the many benefits of the longevity and continuity of operation.

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