

New Wyoming Single Member Limited Liability Company

I remember back in 1977 when the State of Wyoming passed the first Limited Liability Company Act. Many thought that a hybrid company that could be treated as a partnership or proprietorship for tax purposes and yet have limited liability like a corporation would never work. Fast forward to today and all fifty states now have Limited Liability Company statutes and the Limited Liability Company ("LLC") has become the entity of choice for all of new business organizations.

Well, the state of Wyoming is at it again. Beginning July 1, 2010, an individual can set up a single person LLC in Wyoming and have creditor protection in a way that is not available in Missouri or in very few states. The new provision of the Wyoming statute regarding creditor's rights (W.S 17-15-503) now creates an "exclusive remedy" for creditors of an LLC. A creditor is limited to what is known as a "charging order". The charging order *"is the exclusive remedy by which a person seeking to enforce a judgment against a judgment debtor, including any judgment debtor who may be the **sole member**, disassociated member or transferee, may, in the capacity of the judgment creditor, satisfy the judgment from the judgment debtor's transferable interest or from the assets of the limited liability."* This means the individual member of the LLC (think "owner") cannot be sued for the liabilities of the LLC. The Wyoming statute even goes on to say that there are "no other rights, legal or equitable, other than the charging order". Thus, there is no judicial foreclosure available to a creditor of a member's LLC ownership interest.

Anyone who is interested in creating an extra layer of security in a business enterprise might consider setting up a single member Wyoming LLC and then registering the Wyoming LLC as a foreign business in the state in which the member resides or does business. We can partner with attorneys who are licensed in Wyoming to assist clients with this new tool of asset protection planning.