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If you are considering forming a Nevada Corporate Entity, (Limited Liability Company or Corporation), and intend to conduct business in your home state, and not in the state of Nevada, because you may have heard there are many legal and tax advantages gained by forming a Nevada Corporate Entity, I recommend you do the following before taking any steps to do that:

Contact the LegalShield (LS) Provider Firm in your home state and ask one of its corporate attorneys the following questions:

If I form a Nevada Corporate Entity and I plan to conduct business through that Entity in my home state, would I have to register it with the Secretary of State in my home state, as a foreign Corporation or LLC doing business in my home state?

If the attorney answers that question **NO**, then call me back and I can provide you with the options available to you in forming a Nevada Corporate Entity. If however, the answer to that question is **YES**, as I suspect it might be, then the next question you need to ask the attorney is:

By registering my Nevada Corporate Entity as a foreign Entity doing business in my home state, would that Nevada Corporation or LLC, by mere virtue of the fact it is registered in my state, be subject to all of the laws of my home state, as though it was a domestic Corporation or LLC formed in my home state? If the answer to that question is **NO**, then ask the attorney to confirm if your Nevada Corporate Entity was sued in your home state, would the Courts in your home state Courts rule that Nevada law applies. If the answer to that question is **YES**, then call me back and I can provide you with the options available for forming a Nevada Corporate Entity.

However, if the answer to that question is **NO**, then the laws of your home state would apply to any law suit filed against your Nevada Corporate Entity. That being the case, the Courts in your home state will not allow you to "import" Nevada law into your state by merely registering a Nevada Corporate Entity as a foreign corporation doing business in that state. But you need to confirm this with a LS Corporate Attorney.

I realize there are many who tout Nevada Corporate Entities as being the perfect solution to all of your corporate legal issues, but in most instances, that simply is not true. Those advantages do however apply to Corporate Entities formed and operating WITHIN the State of Nevada.

If you are forming a Nevada Corporate Entity because you want the ownership to be anonymous, as is the case in Nevada, then another question you need to ask the LS attorney is:

If I do have to register the Nevada Corporate Entity in my home state, as a foreign corporation doing business here, when registering it, do I have to divulge to the Secretary of State who the owner(s) of the Nevada Corporation or LLC is (are)? If the answer to that question is **YES**, then I see no advantage in forming a Nevada Corporate Entity for anonymity purposes. If the answer is **NO**, then you may want to consider forming the Nevada Corporate Entity, if one of the primary reasons for forming it is you do not want the names of owners of the Corporation or LLC divulged. (Please note however, even in Nevada, you still have to provide the Secretary of State the names of the Managers (if an LLC) or the Officers and Directors (if a Corporation). LS Members often tell me they can just list the names of nominees, who do not actually have any management duties, so that way no one knows they are

associated with the Corporate Entity. The laws in Nevada have become more strict in that regard, and doing that is considered fraud. Individuals listed with the Secretary of State as Officers & Directors or Managers must actually function in that capacity.

Something else to consider of course is whether the business is being conducted via the internet. Frankly, in many states, the law governing Corporate Entities have simply not kept current with evolving technology. If you are conducting business on the internet, and you form a Corporate Entity, it has to have a principal place where the company's business is being conducted and where your Company Kit, accounting information, tax returns, banking records, etc., are all kept on file. You cannot use the address of the Registered Agent For Service of Process (RAFSOP) in Nevada as your company's "principal place of business", unless a Shareholder/Officer/Director of your Corporation or a Member/Manager of your LLC is also acting as the Company's RAFSOP. So, if your Nevada Corporate Entity's principal place of business for your internet business is located in your home state, or a state other than Nevada, you need to ask the LS attorney either in your home state, or the other state, if the laws of the appropriate state require you to register your Nevada Corporate Entity as a foreign corporation doing business in that state? If the answer is **NO**, then there may be an advantage to forming a Nevada Corporate

Entity for those entities conducting business on the internet. If the answer is **YES**, then refer to my notes above regarding registering the Nevada Corporate Entity.

Finally, you may also have been advised about the numerous TAX advantages bestowed upon a Nevada Corporate Entity. That would be true if you reside in the state of Nevada and operate your business there. However, if you do not reside in the state of Nevada, but you reside and conduct business in your home state through a Nevada Corporate Entity, whether or not it needs to be registered as a foreign entity doing business in your home state, what I recommend is you contact a certified public accountant (CPA) in your state and ask the following question:

Would the income that I receive from the operation of my Nevada Corporate Entity be exempt from any or all of the taxes imposed in my home state upon me resulting from the operation of my foreign Corporate Entity, including any applicable state income tax? If the answer to that question is **YES**, then call me and I can provide you with the options available to you for forming a Nevada Corporate Entity. If however, the answer to that question is **NO**, as I suspect it will be, then you need to ask yourself what is the advantage of forming a Nevada Corporate Entity to conduct business in my home state? I believe the

answer to that question may very well be there is no advantage at all. Formation of a Nevada Corporate Entity would just add an additional expense, with no benefit, to the cost of doing business..

Hopefully you will find this information helpful. Should you have any questions, please do not hesitate to contact me.

Sincerely,

Joseph F. Dempsey, Esq.