



WYOMING'S PITCH TO BLOCKCHAIN ENTREPRENEURS



Source: [Caitlin Long](#)

What are the most attractive features of Wyoming's legal and tax framework?

Justice System

- The ALEC-Laffer State Economic Competitiveness Index [ranks](#) Wyoming eighth among US states for litigation treatment, judicial impartiality, and legal certainty.
- The US Chamber Institute for Legal Reform's Lawsuit Climate Survey, which explores how fair and reasonable state liability systems are perceived by US businesses, [ranked](#) Wyoming fourth, up four spots from 2017.

Tax Climate

- The Tax Foundation picked Wyoming [the best state](#) in the 2020 State Business Tax Climate Index, which evaluates states' tax systems.
- There [are no](#) state income (personal or corporate), value-added, franchise, occupation, nor inventory taxes.
- Wyoming's property tax is the ninth lowest in the United States, with an average rate of [0.61 percent](#). Property used for mineral production is assessed at 100 percent of its fair market value, industrial property at 11.5 percent, and residential property at 9.5 percent.

- Wyoming charges a [4 percent](#) state sales tax, and counties can add up to 3 percent. There are exemptions for manufacturing, electricity, and data centers.

Doing Business

- Creating a company [is relatively](#) easy and cheap. The Wyoming Economic Development Agency's [website](#) offers all the information related to business incorporation in a clear and concise manner.
- You can [start a business](#) in Wyoming online. There is a service fee of \$100, plus \$2 if documents are filed online.
- Every year, business owners [must](#) file an annual report. The service fee is \$50, plus \$2 if done online.
- Once incorporated, some business [need](#) either one or more licenses and permits depending on the industry. Important categories for regulatory licenses and permits include: agriculture, environmental protection, health and safety, transportation, and public land.

Labor Costs

- The minimum wage remains at the federal floor of \$7.25 per hour.
- In Wyoming, [97 occupations](#) require a license. At the national level, however, around [1,100 occupations](#) require a license.
- A study of Wyoming's Department of Workforce Services [found](#) the unemployment-insurance cost to employers ranked middle to high compared with other states.
- Employers cover [83 percent](#) of the healthcare premium in Wyoming, lower than in Arizona or Colorado, for example. The national average is [82 percent](#) coverage.
- On average, worker compensation costs are [\\$1.87](#) per \$100 of payroll.

How does Wyoming stack up against other US states in welcoming blockchain firms?

Wyoming [has developed](#) a legal framework tailored to attract and foster blockchain innovation. With the support of veteran Wall Street financier [Caitlin Long](#), the state has enacted 13 pro-blockchain laws in the past two years, and others are on the way.

Two major benefits of the crypto-friendly legislation are the exemption of utility tokens from the state's securities laws and the exemption of all digital currencies from state property taxes. Wyoming [recognizes](#) direct property rights over digital assets and applies the same rules for money in commercial law. Wyoming has also [created](#) a regulatory sandbox for new blockchain companies to be exempt from financial regulations during their first three years. The only laws that apply during that period are those of consumer protection.

In addition, Wyoming has given banks an important role in this effort. It has authorized a state charter for banks that offer financial services to blockchain companies and projects. They are still required to comply with federal KYC/AML policies, but have to keep 100 percent of the reserves and cannot lend out deposits. This ensures that banks will not close the accounts of blockchain companies arbitrarily. Wyoming also allows banks to be custodians of digital currencies, which is an obligation for institutional investors in Wyoming.

Wyoming Blockchain Laws

64TH LEGISLATION IN 2018	
<u>H.B. 19</u>	It amends the Wyoming Money Transmitter Act to provide an exemption for digital currencies.
<u>H.B. 70</u>	It exempts utility tokens from the state's securities laws.
<u>H.B. 101</u>	It allows corporations to create blockchains to store records.
<u>H.B. 126</u>	It amends the Wyoming Business Corporations Act to permit the creation of series LLCs, which enable its members and managers to hold different assets. The objective is to compete with Delaware and Nevada for corporate registration revenue.
<u>S.F. 111</u>	It exempts digital currencies from state property taxes, since they are intangible assets.
65TH LEGISLATION IN 2019	
<u>H.B. 1</u>	It creates a commission to identify governance issues related to blockchain technology.
<u>H.B. 57</u>	It creates a regulatory sandbox for financial technology innovators to experiment with new products and services.
<u>H.B. 61</u>	It provides guidelines to name or designate series LLCs and other details of these companies.
<u>H.B. 62</u>	It establishes that open-blockchain tokens with specified consumptive characteristics are intangible personal property and not subject to a securities exemption. It requires developers and sellers to comply with certain actions and fees.
<u>H.B. 70</u>	It authorizes the Secretary of State to develop and implement a blockchain filing system.
<u>H.B. 74</u>	It creates a new financial institution with knowledge on financial security mechanisms and blockchain-innovator needs.
<u>H.B. 185</u>	It permits corporations to issue certification tokens instead of stock certificates.
<u>S.F. 125</u>	It classifies digital assets in existing laws by recognizing them as property within the commercial coda and authorizing security interests in them. It provides standards and procedures for custodial services and allows banks to provide these services. It finally clarifies the jurisdiction of Wyoming courts relating to digital assets.

Are Wyoming laws compatible with SEC and other federal regulations?

Federal agencies treat and [regulate](#) cryptocurrencies differently. While the Commodity Futures Trading Commission defines them as commodities, the US Securities and Exchange Commission (SEC) pulls them into its regulatory domain [by defining](#) them as securities. More specifically, the SEC deems [almost](#) all tokens involved in an initial coin offering (ICO) to be securities. The SEC can then apply the pertinent rules to protect investors and control the projects funded by those ICOs.

Any crypto project that starts with an ICO falls under the scope of the SEC rather than state legislation, and this naturally limits Wyoming's ambitions. However, ICOs are just one type of blockchain application, and Wyoming has authority over hundreds of others. Wyoming was the first jurisdiction in the world to define a utility token as an asset class different from a security or commodity. Legislators defined it as a new form of property, "and property is generally the purview of state law," Long [argues](#).

Nevertheless, federal regulations continue to [limit](#) crypto operations in Wyoming and elsewhere in the United States.

Charles Dusek, founder of Node Haven, decided to launch a utility token according to Wyoming law but still limit the offering to US accredited investors and foreign persons to avoid SEC scrutiny. "While there are ways for security tokens to be issued to the United States public, they are cost

prohibitive for developers that may be self-funding their projects,” he noted in a [Medium post](#) explaining his decision.

Long [believes](#) Wyoming’s approach sets an example for federal agencies and is solid enough to “become a standard under federal law.” Although federal regulations do not impede Wyoming from turning into the US “crypto valley,” they do reduce its competitiveness with other countries that have less stringent securities laws.

Have many crypto firms or notable entrepreneurs relocated to Wyoming?

Stephen McKeon, a University of Oregon economics professor, [explains](#) that while plenty of blockchain ventures are legally based in Wyoming, few have a physical presence there.

In the same vein, according to [Caitlin Long](#) there are “up to several hundred if not thousands” of crypto companies with a legal residence in Wyoming. “Just like in Delaware, companies can register and gain some of the legal protections without actually locating there,” she explains.

[DLT Ventures](#)

DLT Ventures is an [Inc. 5000](#) member building and deploying scalable blockchain applications for international-based organizations exceeding \$50 billion in annual revenue. It provides solutions for supply chain transparency, instant payments, secure data storage, and other issues of the media, banking, and telecom industries.

[NODE Haven](#)

It was among the first companies to take advantage of Wyoming’s legislation that gives blockchain companies the same designation as utility companies. NODE Haven manufactures the equipment used to mine bitcoin, enabling independent miners to access the most advanced technology as it becomes available.

[Kraken Digital Asset Exchange](#)

Based in San Francisco and one of the oldest cryptocurrency exchanges, it has 4 million active users and [is using](#) a charter banking license from Wyoming. While it has [no plans to relocate](#) headquarters, CEO Jess Powell notes that state charters are usually recognized in other states and can operate nationwide.

How can foreign entrepreneurs benefit from incorporating in Wyoming?

1. Few governments [have passed](#) regulations classifying or regulating blockchain businesses, and no legislation implies a higher risk and legal uncertainty. Wyoming has created a framework in which companies can operate safely.
2. Wyoming has been a world leader of LLC incorporation since [1977](#). According to CoinDesk, there is almost one LLC for every two citizens in Wyoming. It is again leading the way with registration of LLCs on a distributed ledger.

3. In the case of crypto exchanges, Wyoming charters Special Purpose Depository Institutions (SPDI), which can then operate in New York without getting the notoriously bureaucratic BitLicense.
4. Opening a business in Wyoming is cheaper than in Delaware or Nevada. There are minimal corporate formalities.
5. Wyoming does not require LLCs managers or members to be listed in a public database, ensuring privacy.

Previous Econ Americas coverage

“[Wyoming Offers Haven for Blockchain Community](#),” *Gold Newsletter*, podcast by Fergus Hodgson.

“[Crypto Innovation on the Chopping Block](#),” Frontier Centre for Public Policy, by Fergus Hodgson.

“[IRS Silence on Cryptocurrencies Is Deafening](#),” *Epoch Times*, by Fergus Hodgson.

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