

Why a Transco May Be Just What Your Company Needs

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Companies that spend a substantial amount of money and resources on transportation operations may want to consider a spin-off, separate transportation entity - a "Transco" - to both save money immediately and in the long run.

Businesses form a Transco for two main reasons - to significantly reduce the risk of future liability, and to save money on paying certain taxes associated with the company's transportation needs.

The process basically involves formation of the Transco as a pass-through entity to its parent, and can be done through the execution of a manageable number of rather simple documents that transfer the company's liabilities to the Transco. This is commonly the assignment of equipment and employees from the parent to the Transco, and the qualification of the Transco as a for-hire motor carrier. The Transco does not need to accept any contract to haul the goods of others in commerce.

The reasoning for this is the same reason novice business owners are often told to create an LLC entity for their business. Companies that depend on daily, efficient transportation deliveries using 53-foot tractor-trailers are at significant risk from potential transportation accidents on busy highways and city streets. Forming a Transco and keeping it separate from other business operations keeps those separate operations and funding safer from potential liability.

The final step - qualifying as a for-hire motor carrier - qualifies the Transco for exemption from state sales and use taxes on the purchase, lease and repair cost of motor vehicles and other tangible personal property related to the company's transportation and delivery operations.

Either one of these steps justifies serious consideration of this restructuring strategy for your business. Neither has to be done together, each can be done separately. However, the combined benefits can yield legitimate liability protection and material cost savings for years.

This strategy is not a gimmick, it's not too good to be true, and it's not cost-prohibitive to set up and maintain on an ongoing basis.

If a key part of your business involves hauling and storage of the goods you manufacture or acquire from others to sell to your customers, please contact any of the members of our [Transportation, Distribution & Logistics Industry Group](#) for further information.