

## **Choice of Business Entity**

If you are buying a Dental Practice or a Veterinary Practice your choice of business entity is a very important decision you will need to make. Many of our clients or potential clients approach us armed with a basic knowledge of business entities and in many cases they have already made a decision of which entity to choose prior to our first meeting. However, it is generally best to consult with your attorney and/or your CPA before making your final decision on which entity is right for you.

### **C Corporations**

Most large corporations are C Corporations and because most of my business clients are dentists and veterinarians the C Corporation is generally not the correct choice for most of our clients. McDonalds and Pepsi are C Corporations and other publically traded companies are C Corporations.

### **S Corporations**

An S Corporation is a corporation and is similar to a C Corporation in many ways, but the IRS has set up a special provision that allows an S Corporation to avoid taxation at the corporate level. Thus, the S Corporation allows its shareholders to be shielded from personal liability just like a C Corporation, but its taxation is more like that of a partnership or sole proprietor. An S Corporation election is achieved by filing an IRS Form 2553 within the time requirements of the IRS.

### **Limited Liability Company (LLC)**

A Limited Liability Company offers the same protection against personal liability as does the corporation, but it provides even more flexibility. For example, if one member of an LLC contributed 90% of the assets to the LLC and the second member only contributed 10% of the assets the Members could still agree to split profits 50/50. An S Corporation would not allow such a split and profits would need to be split based upon their contribution.

### **Sole Proprietorship**

A sole proprietorship is the most basic form of ownership. It assumes there is only one owner and all profits and losses are attributed to that owner. The sole proprietor is not shielded from personal liability. There is no good reason today to practice dental medicine or veterinary medicine as a sole proprietor.

### **Other forms of Ownership**

There are other forms of business ownership such as limited liability partnerships, but the above listed forms of ownership are the most commonly used forms of ownership for most small businesses and professional practices.

**For more information regarding your Dental Practice Purchase, Dental Practice Sale,  
Veterinary Practice Purchase or Veterinary Practice Sale please contact**  
[nate@walpolelaw.com](mailto:nate@walpolelaw.com)