

Business Entities

The decision about which entity is best for you should only be made after a careful analysis of a number of factors including your personal and business goals and concerns.

At Davis Law Group, P.C., we strive to accomplish goals while exceeding expectations for our clients. What we really do is solve problems. Whether helping a new company grow or assisting an established company with a legal dilemma, we believe that our success is dependent upon helping our clients and their families find success.



Business Entities

- ❖ SOLE PROPRIETORSHIPS
- ❖ PARTNERSHIPS
- ❖ CORPORATIONS
- ❖ LIMITED LIABILITY COMPANIES
- ❖ BUSINESS TRUSTS

Douglas W. Davis is the managing partner at Davis Law Group, P.C. His practice focuses on business transactions, wealth preservation and trusts and estates. He and his staff are committed to helping you with the formation of a business entity, buy-sell agreements, purchase or sale of a business, and other planning matters.



*Which
is the right
fit?*
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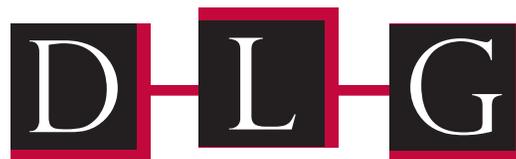
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Although the choice of entity is an individual one, there are many possible alternatives to consider. Davis Law Group, P.C. wants to help you choose wisely.

Whether you are starting a new business, purchasing an existing business, or concerned about potential personal liability in your current business, choosing the form of the entity is one of the most important decisions you will make as a business owner. In Virginia, you have several alternatives.

SOLE PROPRIETORSHIP

A sole proprietorship is commonly referred to as the simplest business entity and, as the name suggests, there is only one owner of the business. In essence, there is no distinction between the owner of the business and the business itself. The owner is held personally liable for all debts, obligations, bankruptcies, lawsuits, judgments and any loss incurred by the business.

PARTNERSHIP

General Partnership

A general partnership is formed when two or more co-owners conduct a business activity together for a profit. Like a sole proprietorship, a general partnership does not offer personal liability protection.

Limited Partnership

In a limited partnership, the partnership interests are split between general partners and limited partners. One of the partners must be a general partner with decision-making authority and personal liability for the business. Limited partners are not actively involved in the business and generally are not liable.

Family Limited Partnership

A family limited partnership allows the owner to control the management and distribution of business assets while reducing estate tax liability and providing younger members with an opportunity for ownership over time. Because of the substantial benefits that can be obtained with these entities, the IRS imposes strict requirements to ensure that individuals do not abuse the partnership structure for estate planning purposes.

Limited Liability Partnership

A general or limited partnership can take an additional step by registering the entity as a limited liability partnership with the State Corporation Commission. The main advantage obtained through registration is that the partners, including the general partners, are only liable for the debts and obligations of the partnership up to the value of their respective interest in the partnership.

CORPORATION

C Corporation

C corporations are treated as separate entities from their shareholders. The corporation itself is qualified to own property, operate a business, borrow money, contract with third parties, and sue or be sued. To the extent that it is properly established and maintained, it provides its shareholders with limited liability protection. This means that the personal assets of the individual shareholders are generally not at risk in the business venture. Although there are benefits to the establishment of a C corporation, this entity incurs double taxation: both the business and its shareholders are taxed on profits or income at applicable rates.

S Corporation

An S corporation offers the same operational and limited liability protection as a C corporation but does not pay tax as a separate entity. Instead, the individual owners receive the benefit of all income and expense deductions on their individual tax returns at their reduced individual tax rates. Because of the preferable tax treatment there are a number of qualifications that must be met in order to qualify as an S corporation.

LIMITED LIABILITY COMPANIES

For a variety of reasons, a limited liability company is often considered to be one of the most flexible entities, and it also provides personal liability protection very much like a corporation. Members of a limited liability company have the flexibility of choosing how to be taxed, so it is not unusual to have this type of entity taxed as a sole proprietorship, partnership, S corporation or C corporation. Making the tax election properly is an important aspect to consider at establishment.

BUSINESS TRUST

These new entities can be useful because they offer both limited liability and flexibility for its owners. Owners can create their own operating guidelines and series or levels within the entity. The owners can give each of these series different duties and responsibilities. If the owners decide to terminate a series, they can do so without dissolving the entire entity.

For more information on business entities or to schedule an appointment to discuss your business in detail, please call Davis Law Group, P.C. at (757) 420-7722.