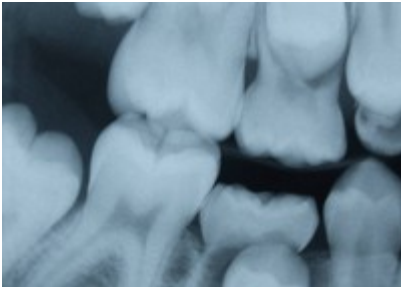


Multiple Entities

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A new dental client, "Joe" was planning on purchasing a dental practice from "Bob". Bob and Bob's practice sale's consultant advised Joe to form a new corporation, I'll call it Dental, Inc. with a capital contribution of \$1,000 and then have Dental, Inc. purchase the assets of Bob's dental practice, which includes dental equipment, furniture & fixtures, land and a building.

Thankfully Joe called me (and an attorney) before he signed any of the documents that were already drawn up with this plan in mind.

Since Joe has to personally guarantee the loans to purchase Bob's assets, Joe should consider personally owning the assets and then leasing them to Dental, Inc. This way, Dental, Inc., will be reducing their taxable income by paying rent to Joe, that Joe would otherwise have to withdraw from the corporation in the form of compensation. By leasing the assets instead of having Dental, Inc. purchase the assets, Joe avoids payroll taxes (if the payments were compensation) and double taxation (if the payments were dividends) and helps to reduce the net income (taxed at professional service corporation rate of 35%) on the rent amounts.

Also, by not transferring the land to the corporation, Joe will avoid double taxation later when he sells the appreciated land.

This is a simplified example of a complex web of plans that can be employed with multiple entities. Since it is complex, it should never be approached without the advice of qualified professionals.

Gina L. Gwozdz is a CPA who has chosen to specialize in taxes. Visit her website at <http://GLGcpa.com> to view more Tax Tip Articles.