

Dental Practice Transitions

We are pleased to announce that our Dental Practice Transition Group continues to grow and expand its services to the dental community. During calendar year 2017 we were involved in over forty dental practice transitions representing both sellers and buyers. In addition to such transactions, we have coordinated with our estate planning and retirement plan design groups to provide seamless representation in those practice areas as well.

The dental transition market continues to evolve. We are now seeing transactions involving single site practices for sale and multi-site practices owned by one dentist, as buyers and dental service organizations (“DSOs”) acquire practices and strive to develop a footprint in specific geographic areas.

Although the dentist to dentist transactions continue to follow historical terms and provisions, the onset of more DSO transactions in New York adds another layer of regulatory scrutiny. New York State still requires that a dental practice be owned by a New York licensed dentist and the DSO business model must not run afoul of the fee splitting and corporate practice of dentistry prohibitions. A recent investigation of a DSO by the New York State Attorney General has resulted in a substantial fine which highlights the importance of regulatory compliance.

As counsel to either a seller or buyer involved in a dental practice transition we utilize our years of experience to address the normal and customary business terms and tax ramifications as well as providing guidance on regulatory compliance.

We also assist our clients in organizing and working with a transition team which typically includes a practice consultant, accountant, financial advisor and specialty dental lender to bring each transaction to a successful conclusion. We have developed longstanding relationships with these other professionals so that we can guide our clients through the selection process to assemble the dental practice transition team to meet the client’s needs.

Once the team is established and business terms agreed upon, our transactional documents address the myriad issues including, but not limited to, purchase price allocation, purchased and excluded assets, accounts receivable, work in progress, remakes, prepaid expenses, assumption of liabilities by the buyer, office lease assignment, bank financing, closing adjustments, post-closing transition, patient announcements, and the seller's restrictive covenant.

In addition to the actual dental practice transition, we coordinate estate planning and retirement plan design and administration for our client with other members of our firm. We have found that our older clients need to revisit their estate plan with our estate planning group since the estate plan was typically prepared years ago and current facts and circumstances dictate revisions. Our younger clients who now own dental practices and have started a family need to get their first estate plan in place.

The firm's retirement plan group also works with our dental clients to establish retirement plan designs for the seller to defer tax obligations at closing and calculate their required minimum distribution upon attaining seventy and one-half years of age. We also provide recent buyers with a retirement plan design to maximize practice owner contributions while minimizing staff costs. These retirement plans provide tax savings to the practice owners and provide additional retirement income once they elect to retire and sell their dental practice. We design and administer all types of retirement plans, including 401(k), profit sharing, traditional defined benefit and cash balance plans. Most recently, our retirement plan group has devised a strategy that may allow a dentist to maximize his or her "qualified business income" deduction under the new tax law by making contributions to a retirement plan.

Please contact Greg Tapfar at gtapfar@dmlawyers.com for further information.