

**Starting a New Medical Practice or Dental Practice?<sup>1</sup>**  
Top 5 Entity Selection Mistakes That Can Harm Your New Business

Starting your own dental or medical practice will require as many decisions about the business of medicine as it does the practice of medicine. Making the wrong decisions from the outset will not only result in wasted time and expense to repair your mistakes, but will also prevent you from focusing on your patients and growing your business. Below are five of the top and, unfortunately, very common, mistakes doctors make in selecting the business form to practice medicine.

1. **Wrong Selection.** There are several different business entity types to choose from when starting your new medical or dental practice. Your selection may depend on tax or limited liability benefits, the ease of governance, or other legal considerations. If you select the wrong entity, however, the result may include the loss of tax savings or worse, the improper practice of medicine. In California, **the corporate practice of medicine is strictly regulated**. For instance, doctors and dentists are prohibited from practicing as a limited liability company (LLC). Just recently, our office has assisted two different doctors who made the mistake of choosing to practice as an LLC because they failed to consult with a health law attorney prior to starting their business. The result, unnecessary costs to repair the business and delay in the opening of their new practice.
2. **Bad Timing.** In business, as in the rest of life, timing can be a critical factor to your success. When it comes to the proper entity to select for your new practice, **when you file your paperwork** can also be a costly mistake. Depending on where you are in the calendar year and when you anticipate your new practice will open, your attorney may advise you to wait to file your paperwork to save you from paying unnecessary taxes. Also, incorporating or forming a partnership may take a couple of month depending on your situation, so it is could to consult with an attorney early to determine timing issues. Our consultations are almost always free.
3. **Unsuitable Tax Status.** Many believe that it is advisable to select a "pass through" entity, such as an S-Corporation or general partnership when starting your dental practice, so that you are not taxed twice on revenue derived from the practice. Sometimes it may be advisable to practice as a C-Corporation, despite the double taxation, depending on other factors including whether the business will use some selected pre-taxation benefits plans. This decision cannot be properly made unless you first consult with a healthcare accountant or tax attorney.
4. **Ignoring the Board.** As indicated previously, the practice of medicine is heavily regulated in California. State regulations of medicine are generally promulgated by the different healing arts' boards of the state, such as the Dental Board or Medical Board of California. Following general

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entity selection rules without adhering to board regulations, such as **proper business names** or multiple offices provisions, may result in more costs to fix all the brochures you just printed and the website you recently paid someone to create.

5. **Incomplete Documents.** Having a CPA or online incorporator form your new practice may save you a little bit of time or money. But often times, these arrangements result in missed filings or **incomplete corporate documents**. The result is that the doctor or dentist fails to gain the personal limited liability sought when forming the corporation and inevitably pays more than it would have cost to have a healthcare attorney perform the services in the first place.

If you are thinking about starting a new dental, medical or other health care practice, feel free to contact the Pacific Health Law Group at (310) 776-5384 for a free consultation. At the Pacific Health Law Group we always seek to add value to your business by providing efficient and complete legal solutions to all of your healthcare legal needs.

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