

# On The Legal Side

## Forming a Dental Practice in New York: Legal Basics for First-Time Owners

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Starting a dental practice in New York is an exciting milestone, but it comes with strict legal requirements. From choosing the right entity to navigating state naming rules and approval timelines, understanding the basics early can help you avoid costly delays.

### 1. Choosing the Right Entity Structure

Dentists in New York cannot operate as standard corporations or LLCs. Instead, they must form either a Professional Corporation (PC) or a Professional Limited Liability Company (PLLC).

Both structures limit the personal liability for the owners, but they have a few differences that are worth noting:

- (i) The startup costs for a PLLC are higher than a PC due to the publication requirement that New York has on all limited liability companies.
- (ii) A PC functions like a traditional corporation with shareholders, officers and directors. When there is more than one owner, the PC can become quite burdensome. However, a PLLC is much more flexible in management and profit distribution; it does not have the same rigorous rules and regulations as a PC.
- (iii) A PC and PLLC may be treated differently for tax purposes and understanding the tax benefits and consequences is vital to forming an entity. Speaking with an accountant to obtain guidance is always advisable.

### 2. Understanding Ownership and Licensing Restrictions

New York State is very strict, where only licensed dentists, in good standing, are permitted to own a practice. Non-dentists—including spouses, investors, and any other licensed professional—cannot own or control any part of a dental practice. Violating this rule may trigger disciplinary action with New York State's Office of Professional Discipline.

### 3. Naming Your Practice

Naming your legal entity may be the hardest decision you make due to the rules and regulations of the New York State Education Department (NYSED). Generally, NYSED looks for transparency in the name so the public understands the type of services that will be provided by the legal entity.

Overall, the name must include "Dental" or "Dentistry" and cannot be misleading or imply specialization without proper credentials. For instance, if you are looking to provide periodontal services, then you must provide proof of that specialty with NYSED to use "Periodontics" or "Periodontology" in the name of your legal entity.

NYSED also does not allow certain words to be in any professional legal entity, including "Center," "Institute" or any words that can imply superiority, like "Elite." Due to the strict rules that NYSED imposes, many dentists utilize their own name, including their degree, to avoid rejection or delay in the formation of their legal entity.

Once NYSED has approved the paperwork, you will receive their written approval, which must accompany the filing with the New York State Department of State (DOS).

### 4. Timing and Filing Process

The full approval process can take a few months due to NYSED's review times and any revisions required. Once NYSED approves the paperwork and returns it to the filer, they can then be filed with DOS. Once formed, you will then need to obtain the Employer Identification Number (EIN) from the IRS and register for state tax accounts, if necessary.

### 5. Don't Forget Post-Formation Requirements

Even single-owner practices need governing documents—either a shareholder agreement (for PCs) or an operating agreement (for PLLCs). These outline how the legal entity will be managed among its owners. The operating agreement must be completed within 90 days after formation, whereas bylaws must be completed within a reasonable time after formation. You can complete these documents while waiting for the approval from NYSED to avoid any delays.

The publication requirement for a PLLC must be completed within 120 days after formation. The publication must run for six weeks in two newspapers specified by the County Clerk in the county where the LLC's legal address is registered.

Once your entity is formed, you can then obtain the following:

- Open a business bank account under your PC or PLLC.
- Secure malpractice and general business insurance.
- Set up payroll and tax accounts with your accountant.

### 6. Working with Advisors Who Know Dental Law

Due to the restrictions in forming legal entities in New York, it is best to work with an attorney experienced in dental law. They can help ensure compliance, avoid missteps, and streamline the approval process.

Starting a dental practice is about building a strong foundation for your career. Taking time to choose the right entity, follow naming and ownership rules, and seek professional guidance will protect your license, prevent delays, and position your practice for growth and success in the future.

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