



Why You Need to Form an Entity for Your Law Practice

This article was adapted from the PLF CLE, “From Startup to Endgame: Form of Entity Considerations for Your Law Practice,” presented on June 1, 2017, at the OSB Center, by Jay Richardson, Buckley Law PC, and Scott Schnuck, AltusLaw LLC.

Lawyers often ask, do I really need to form and operate my law practice under an LLC or corporation (S or C), or is “sole proprietorship” or “general partnership” acceptable? The answer is yes, you really need to practice law under an entity for all of the following reasons:

At the very least, operating under an LLC or corporation simply has more cachet. An entity extension implies permanence.

While a legal entity does not provide liability protection from your professional malpractice, an LLC, corporation, LLP, or PC does provide a layer of protection between your personal assets and liabilities that result from the obligations of the business (aside from your professional advice). In other words, the entity separates your personal affairs from those of your business, tying the liabilities and obligations of the business to the business.

A limited liability entity will protect you from:

1. Contract disputes – such as landlord and tenant disputes.
2. Disputes with vendors such as tech providers.

3. Liability associated with an employee.
4. Tort injuries of clients and others visiting your office. Commercial liability insurance – if you have it – would probably cover this event. Still, why not provide all of the protection you can? Also, insurance always has a policy limit, and it is generally bad business to fully insure against all perils as you will be paying for protection you are unlikely to need. On the other hand, an LLC/corporation can give you the protection from those uninsured liabilities.

If you plan to hire associates and want them to help in your succession planning, you will need to operate as a partnership, LLC, or corporation anyway (unless you plan to sell out entirely when you retire), so why not form an LLC now? If you form the LLC now, you get to choose the name, create the operating agreement, and so on. ■

To read about which form of entity to choose, how to change the form of entity, and much more, download the materials from the PLF CLE presentation or listen to the program at www.osbplf.org > CLE > Past CLE.