

SCHAUM LAW OFFICES

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TO: MEMBERS OF THE LONG ISLAND JEWISH ORGANIZED MEDICAL STAFF

A recent event experienced by a client leads us to ask the following question- Have you reviewed whether or not you maintain professional corporations or similar entities which you have not utilized for many years? If the answer is in the affirmative, the next question is- why have you not dissolved them?

We suggest you discuss with your accountant the reason, if any, for keeping them alive.

Our client became a defendant in an alleged malpractice proceeding entailing his/her present entity but also found that the long dormant P.C. was also named. (It was obvious that in an excess of caution plaintiff's attorney named each and every entity affiliated with the physician, past or present.) It was annoying to the physician that the insurance for the old P.C. was no longer in effect and triggered costs which could have been avoided if the appropriate steps had been taken in advance.

In reviewing your "inventory" of unused entities one should remember that each corporation which has not been dissolved by you or by New York State accumulates unpaid franchise taxes- a debt which can be enforced by the State if it so chooses.

The foregoing examples are but two of the complications which can arise from those dusty corporate kits which adorn your shelves but serve no purpose. If you are the owner of these unused entities we urge you to have a conference with your financial and legal professionals to take the necessary steps to bring these artificial “beings” them to an end.

With regard to the Corporate Transparency Act, an entity the meets the below definition, would not require a filing.

Inactive Entity

Any entity that (A) was in existence on or before January 1, 2020, (B) is not engaged in active business, (C) is not owned by a foreign person, whether directly or indirectly, wholly or partially, (D) has not experienced any change in ownership in the preceding 12-month period, (E) has not sent or received any funds in an amount greater than \$1,000, either directly or through any financial account in which the entity or any affiliate of the entity had an interest, in the preceding 12-month period, and (F) does not otherwise hold any kind or type of assets, whether in the United States or abroad, including any ownership interest in any corporation, limited liability company or other similar entity. Note that this exemption does not apply to inactive entitles formed after January 1, 2020, and has other important limitations.

Respectfully submitted,

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