

# TREASURE COAST BUSINESS

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## MADE ON THE TREASURE COAST

BY ANTHONY WESTBURY



PHOENIX METAL PRODUCTS

Equipment receives final preparation in the final assembly operations building at Phoenix Metal Products prior to shipping to Southwest and other airlines.

At least three U.S. presidents have used them. Perhaps hundreds of thousands of visitors have ridden on them at Disney and other theme parks. They are safety devices used on thousands of fuel and chemical tankers across the country. Boaters all over the world use products designed and built in Stuart.

We're talking about products manufactured right here on the Treasure Coast and utilized by major companies all over the world. Yet many of us here are completely unaware of what is being crafted on our doorsteps every day.

So, here's a look at a handful of local companies that are world leaders in their specialties.

**COMPLETE STORY ON PAGE 8**



SMALL BUSINESS CONTINUES TO DOMINATE THE JOB MARKET

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SMALL BREWERIES ARE HOPPING AND FLOURISHING

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## CHOOSE THE RIGHT STRUCTURE WHEN STARTING YOUR BUSINESS

Starting and running a business requires making many important decisions. The very first decision faced by many business owners is what kind of entity should be formed to operate their business. In Florida, there are a number of available options. While the decision can be daunting, the variety in flavor of business entities provides the opportunity to choose a type of entity suited to your particular needs. In determining which entity is right for you, there are many tax and non-tax factors to take into consideration.

### TYPES OF ENTITIES

There are four primary classifications of business entities in Florida: (i) sole proprietorships, (ii) partnerships, (iii) limited liability companies (LLCs) and (iv) corporations. The partnership category is further subdivided into four different types of partnerships: (i) general partnerships, (ii) limited partnerships, (iii) limited liability partnerships and (iv) limited liability limited partnerships. Additionally, if your business will provide a "professional service" to the public, which requires getting a license or other legal authorization (for example, a medical practice), then you may form a special type of LLC or corporation.

ULTIMATELY, THE TYPE OF BUSINESS ENTITY YOU CHOOSE IS A PART OF NOT JUST YOUR PRESENT BUSINESS PLAN, BUT ALSO POTENTIALLY YOUR ESTATE PLAN OR BUSINESS SUCCESSION PLAN. DIFFERENT BUSINESS ENTITIES CAN PROVIDE DIFFERENT STRATEGIES FOR PASSING INTERESTS TO THE NEXT OWNERS, BE THEY BUYERS OR YOUR HEIRS.

### TAX FACTORS

For tax purposes, there are three primary classifications of business entities: (i) disregarded entities, (ii) partnerships, and (iii) corporations. While the classification of a state law partnership or corporation is self-explanatory, the classification of an LLC hinges on the number of members and the election of those members. A single-member LLC may be either a disregarded entity or elect to be treated as a corporation.



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A multi-member LLC may either be a partnership or elect to be treated as a corporation. Further, a corporation meeting certain eligibility requirements can elect to be treated as an "S" corporation.

Generally speaking, the taxing regime for business entities depends upon whether such entity is a passthrough entity or a taxable entity. Passthrough entities (partnerships and "S" corporations) pass profits and losses on to their owners, who then report such items on their individual tax return. On the other hand, taxable entities, such as corporations (other than "S" corporations) must pay federal and state income taxes. Although Florida does not impose an individual income tax, it does impose a corporate income tax. In addition, the owners of taxable entities are subject to federal income tax on any dividends received, resulting in a second level of taxation.

### NON-TAX FACTORS

With the exception of general partnerships and sole proprietorships, each type of entity offers its owners some degree of protection from the liabilities of the entity. Additionally, some provide protection to the entity and other owners from the liabilities of the owner. While liability protection is an important consideration, other important non-tax considerations include the type of management structure desired, restrictions on transferability, and the costs associated with formation and maintenance of the entity.

Ultimately, the type of business entity you choose is a part of not just your present business plan, but also potentially your estate plan or business succession plan. Different business entities can provide different strategies for passing interests to the next owners, be they buyers or your heirs.

Due to the many important factors that should be considered in choosing a type of business entity, you should consult with a qualified business and tax attorney to make sure that you select an appropriate entity that is suited to meet your needs. ❖