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## **What to Do with Your LLC or Corporation After Selling a Business or Its Assets**

When clients wrap up a business, sell a company, or dispose of the sole asset held in an LLC or corporation—like a building or piece of real estate—they're often left asking: What do I do next with the entity?

If you've recently completed such a transaction, it's critical to take the right legal and tax steps to formally wind down your business entity. Below, we outline when and how to dissolve your LLC or corporation to avoid unnecessary liability and streamline your obligations.

### **□ When Should You Dissolve Your LLC or Corporation?**

You should consider dissolving your entity when:

- The primary purpose of the LLC or corporation is complete.
- For example, a real estate holding company that just sold its only property may no longer have any reason to operate.
- There are no ongoing business activities or income.
- All financial and legal obligations have been satisfied.
- This includes:
  - Final tax filings
  - Debt settlements
  - Employee terminations (if applicable)
  - Completion of contracts and leases

Don't rush dissolution immediately after a sale.

You may need to wait until:

- Final federal, state, and local tax returns are filed and accepted
- All distributions to members or shareholders are made
- Any potential warranties, liabilities, or closing obligations under the sale agreement have expired or been resolved

### **□ What Steps Should You Take Before Dissolving?**

Before filing formal dissolution paperwork, ensure you:

1. Settle all debts and obligations.
2. Distribute any remaining assets to shareholders or LLC members.
3. Close all business accounts, including bank accounts, utilities, and vendor services.
4. Cancel business licenses or permits, including your Certificate of Authority, if registered for sales tax.
5. File all required final tax returns with the IRS and New York State, including:
  - Final Form 1065 or 1120, depending on your structure
  - Final NYS LLC Return (IT-204 or IT-204-LL)

## **How to Dissolve the Entity**

To formally dissolve your LLC or corporation in New York:

1. File Articles of Dissolution with the New York State Department of State.
  - For LLCs, this requires unanimous member consent.
  - For corporations, a resolution passed by the board and shareholders is usually required.
1. Pay any final filing fees.
2. Retain copies of all filings and correspondence for your records.

Note: You are not fully dissolved until the State accepts your Articles of Dissolution.

## **Why You Shouldn't Ignore Dissolution**

Failing to dissolve your LLC or corporation properly can lead to:

- Ongoing annual filing requirements
- Continued franchise or LLC filing fees
- Potential legal exposure despite the business no longer operating

## **We're Here to Help**

At James G. Dibbini & Associates, P.C., we guide clients through the proper closure of business entities, ensuring compliance with New York law and federal tax requirements. Whether you've just sold a rental property held in an LLC or are winding down an active business, we'll help you complete the process efficiently and correctly.

Need assistance dissolving your LLC or corporation?

Contact our office today to schedule a consultation.

The attorneys at James G. Dibbini & Associates, P.C. collectively have over 70 years of experience providing legal services in the areas of:

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- [Commercial & Residential Real Estate Closings](#)
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