

## Ohio Business Succession Planning

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Many Ohioans dedicate their time and labor to a family-owned or closely-held business in order to provide a service to their community and income for their families. However, in the event of the retirement, incapacity, or death of the business owner, the absence of a business succession plan can result in disputes amongst interested family members or disruption in operation, and resulting financial or reputational harm, to the business. As such, a well-crafted business succession plan is crucial to protect the stability of such a business.

As an initial matter, a business succession plan should address the transfer of ownership of the business. However, Ohio law limits the ways in which such ownership can be transferred based upon the structure of the business. For example, if the business is a sole proprietorship, the business and its owner are inseparable and, thus, the business will cease to exist upon the owner's death. In this instance, an estate-planning document could provide instructions for the transfer of business assets. Regarding partnerships, Ohio law governs many aspects of partnership agreements, necessitating competent drafting of the same. Additionally, Ohio law governs LLCs and corporations and allows them to draft operating agreements or bylaws that could provide terms for business succession. Given the foregoing considerations, different estate-planning documents may be utilized in business succession planning depending upon the legal structure of the business.

Business succession plans should also ensure that the business remains compliant with legal and regulatory requirements when ownership is transferred. Similarly, Ohio and federal tax law must be considered in the transfer of ownership of a business. Proper succession planning can minimize such risks, while a failure to plan can result in unnecessary liabilities. Moreover, a strong business succession plan must address non-legal considerations by, for example, identifying successors, including strategies for maintaining relationships with customers and vendors, and defining the roles and responsibilities of successors and other key personnel.

Given the nature of the harm that a business may suffer without proper succession planning, it is crucial to consult competent counsel in order to create an effective business succession plan.

*This article provides an overview and summary of the matters described therein. It is not intended to be and should not be construed as legal advice on the particular subject.*