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## BULK SALES LAWS AND BUSINESS PURCHASES

When buying a new business, you want to be sure you are only assuming liabilities you intend to undertake and are expressly set forth in the purchase agreement. However, some laws, like bulk sales laws, may create additional liability for purchasers.

### What are Bulk Sales Laws?

Bulk sales laws require parties to notify the seller's creditors or any applicable taxing authority of the sale before its closing. These laws were initially enacted for two reasons:

- Protect creditors when a debtor engaged in a bulk sale or transfer of goods to a third party
- Ensure that sellers pay their tax liabilities before any significant sale

### Do Bulk Sales Laws Apply to My Transaction?

Many states, including North Carolina, have repealed their bulk sales laws. Some states provide exemptions to these laws, and some states still have them in place. These exemptions often include sales of all or substantially all the assets of a company. However, even states that have adopted exemptions usually set out requirements to be met before a party may obtain the benefits of the exemption.

Failure to comply with these laws or the requirements of an exemption may subject purchasers to liability to the seller's creditors or to taxing authorities. Purchasers may become responsible for the seller's taxes. Additionally, some states place liens on the transferred assets. Consequently, it is pivotal to assess the laws of the state where the seller is located to avoid unexpected costs and liabilities.

### JAH Can Help

The **attorneys** at JAH are available to advise you on the application of bulk sales laws and other aspects of your merger, acquisition, or sale. Our **corporate attorneys** are knowledgeable and can help navigate complications surrounding **M&A** deals. **[Click here to contact a member of our Corporate Group if you need assistance.](#)**

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