BUY A BUSINESS

Asset purchase or stock purchase: what is the difference for a buyer?

By Ayodele Olasiji, Optimax Commercial · Updated October 18, 2026 · 2 min read · Online at optimaxdeals.com/guides/asset-vs-stock-purchase

SHORT ANSWER

In an asset purchase you buy the business's assets, like equipment, inventory, the name and customer relationships, but not the seller's company, so most past debts and liabilities stay with the seller. In a stock purchase you buy the company itself, including its history. Most small business buyers prefer asset purchases; sellers sometimes prefer stock sales for tax reasons. Your lawyer and CPA should weigh in.

How to, at a glance

1. Ask whether the deal is an asset or stock sale
2. In an asset sale, list exactly which assets you get
3. In a stock sale, check the company's debts, taxes and lawsuits
4. Have your CPA review how the price is allocated
5. Have your lawyer draft protections in the purchase agreement

Questions buyers ask

Which do sellers prefer?

Sellers often prefer stock sales, which can be taxed more favorably for them and leave nothing behind. That is a point to negotiate.

Does an asset purchase protect me from everything?

Not everything. Some taxes and obligations can follow the assets depending on state law. Your lawyer will know what applies.

Do I need a new company to buy the assets?

Most buyers form their own company to hold the business. Ask your lawyer and CPA which type fits you.

Side by side

	Asset purchase	Stock purchase
What you buy	Equipment, inventory, name, goodwill	The company itself
Past debts and liabilities	Mostly stay with the seller	Come with the company
Contracts and licenses	Often must be reassigned or reissued	Usually stay in place
Common in small deals	Yes, most of them	Less common

Why buyers usually prefer asset purchases

- You leave behind most of the old company's debts and legal history.
- The price is split among the assets, which can give you tax deductions over time. Both sides report that split to the IRS on Form 8594.

When a stock purchase makes sense

When contracts, licenses or a franchise cannot easily be transferred, buying the company can be simpler. Then due diligence on taxes, debts and lawsuits matters much more, and your purchase agreement should include strong protections.

Sources

- IRS: About Form 8594, Asset Acquisition Statement www.irs.gov/forms-pubs/about-form-8594

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