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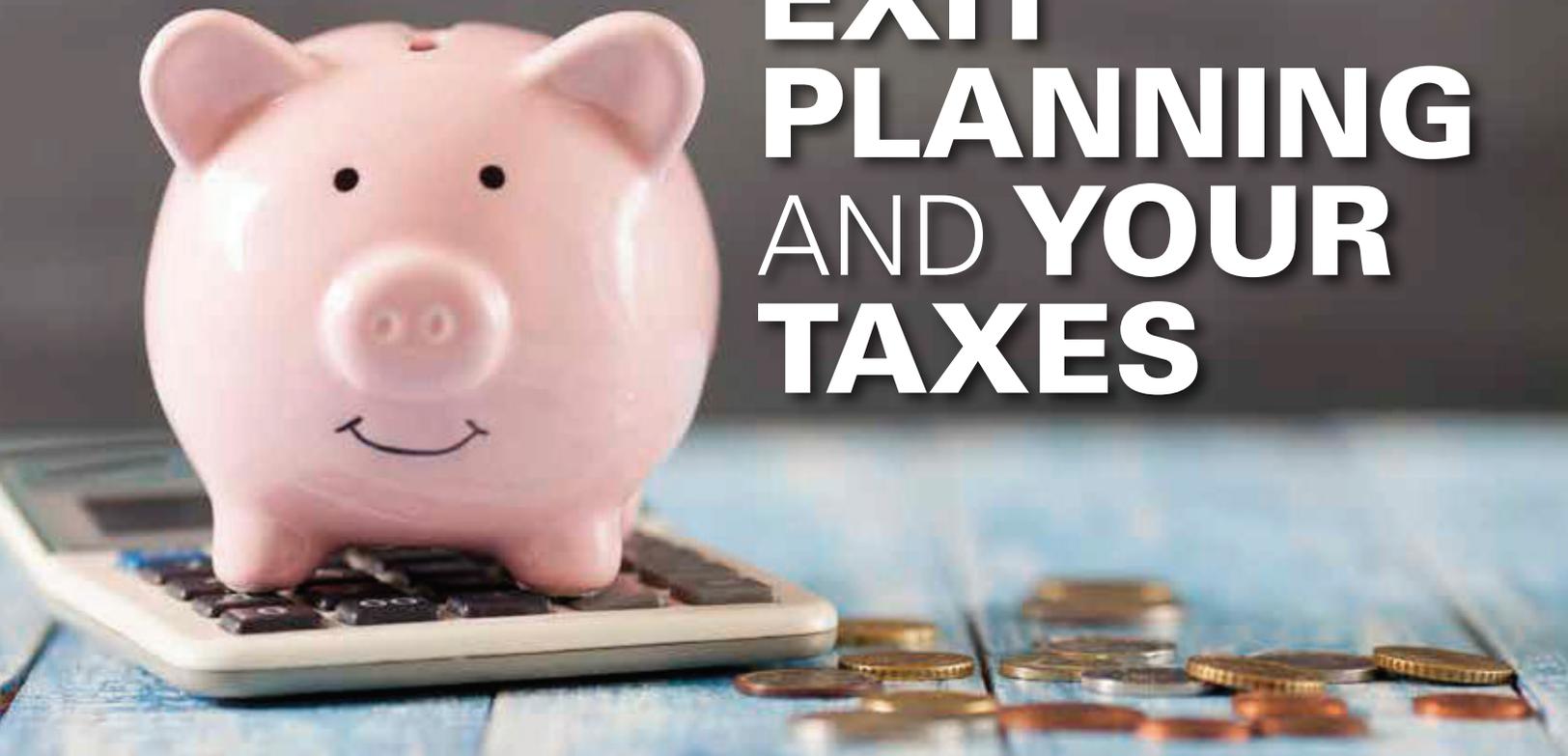
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EXIT PLANNING AND YOUR TAXES



The importance of planning ahead when selling your business or passing it down to the next generation



By Steven Bankler, CPA

Are you considering selling your business this year? What about in five years or in 10 years? Believe it or not, it can take a decade of solid planning to exit a business on top, at least when it comes to saving taxes. Business owners who skip exit planning often lose to the IRS more than half of the total

amount paid for the sale.

Here's how it can happen: Let's say "Ted" is a C Corp owner who is ready to retire by selling his \$1 million worth of stock in the business. The long-term capital gains tax for Ted is a whopping \$240,000. And the buyer? His tax bill is even worse. Let's say, in this sce-

nario, the buyer's income tax bracket is set at 37 percent. With federal income tax and net investment income tax combined, the buyer needs to generate an added \$690,600 to walk away with that same \$1 million in stock. Consider now that this is a family business. All combined, the sale of that \$1 million in stock — just to pass it from one generation to the next — cost Ted and his heir \$895,600. That's equivalent to a tax rate of 55 percent!

Whether your end-goal is family succession, selling the business, or dissolving it when you retire, start strategizing now and be prepared to change course when needed. We often recommend starting 10 years early

because it takes that much time to alter your course from "build mode" to "exit mode." Your corporate identity, the assets you own, and even how you conduct your business all play a role. To get started, consider these areas:

Business Structure

The business structure that's right for you now may not be right for transition. The right business structure (whether it's an LLC or a corporation structure, for instance) can make all the difference when it comes to tax savings and asset protection. But as your business and exit planning needs change, so might the right structure. Plan ahead and be open to changing strategy ahead of the game.

