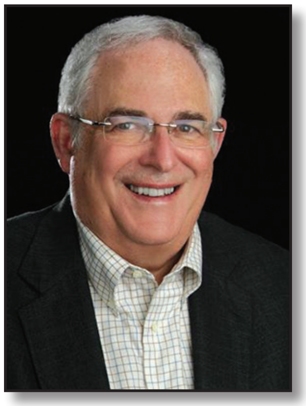

Training the next generation

San Antonio CONSTRUCTION NEWS™

The Industry's Newspaper

www.constructionnews.net ★ (210) 308-5800 ★ Volume 22 ★ Number 3 ★ MARCH 2019

ACCOUNTING



YOU are not your business

Steven Bankler, Owner
Steven Bankler, CPA, Ltd.
San Antonio TX

When it's time to sell your business, you might discover you're tied too much of yourself into it. Your money, assets—even your reputation—can be so entwined in the business that they're difficult to separate. Unwinding those ties can be costly and confusing. Save yourself the trouble and consider the following areas to address while creating your exit plan.

Personal Goodwill

Did you know that your reputation, expertise, skills, knowledge and business relationships each carry monetary value? These self-created assets are called personal goodwill, and they can be added to (or subtracted from) your bottom line when you sell your business, or even be sold separately from the business.

The IRS considers very critically whether any intangible goodwill is personal or whether it's more connected to the business. When it's time for you to leave your business, your personal goodwill in the form of your expertise, the relationships you've built over the years, and other intangible assets can be deducted from the sale price because they'll leave with you. Doing so can reduce taxes for both you and your buyer.

Personal Versus Business Property

It's easy to mix business and personal property when you're the business owner, but it's a critical hurdle that may need to be overcome before you put your exit plan in motion.

Property that includes land, buildings and anything else affixed to it that is used solely for business purposes should be treated as real property. Personal property for a business should also be designated. This is everything else used solely for business from your trucks and equipment to your office water cooler. Even intellectual property like your trademarked business logo can be included. Real property and personal property for business are taxed very differently.

Then comes listed property, which are assets used for both business and personal. An example would be a company vehicle driven all the time. If you have a home-based business or allow employees to use property like company cars and laptops for personal use, it's important to consider those assets and how they'll be treated in a sale. Real, personal and listed property all have their own depreciation rules associated with them, which affect how they'll be valued.

Personally Funding Your Business

If your business is a pass-through entity like a sole proprietorship, LLC or partnership, or S corporation, your money is already tied to the business. When your business has a bad year and suffers a loss, that loss can usually be deducted from your personal taxable income, too. But a corporation is different. To infuse your own money into a corporation, you need to decide how to characterize it: personal equity or a business loan. These two are very different when it comes to selling, liquidating, or closing the business, especially if things don't work out.

Take an honest look at how closely connected your other finances are to those of your business, too. How much of your ability to personally guaranty liabilities could be benefiting your company? If you sell it, will the company be able to maintain its own credit power? Will your personal finances truly be disconnected? There's a cautionary tale we often tell of parents who pass down their business to their children and who, after a while, start getting calls from creditors. They end up losing their savings because they handed over the keys to the business—with their good credit attached—and didn't notice when it was mismanaged.

Look at these areas and take steps now to separate yourself from your business. Doing so now could save yourself and your company's next generation significant headaches and tax burdens.

Steven Bankler has more than 40 years of experience in the accounting industry. Steven's expertise lies in consulting, planning, tax, and asset protection as well as exit strategy services for closely held businesses. He also provides litigation support (both as a testifying expert witness and a consulting expert), business negotiations and estate planning. Visit www.bankler.com for additional tax strategy tips and to learn more about Steven Bankler, CPA, Ltd.