

Selling Your Business, Taxes & Tax Structures

Too often, tax consequences are an afterthought in preparing a business for a sale. Overlooking the ways to structure a business before and through the process of selling a business can cause avoidable lowering of sale proceeds to cover higher taxes. Early planning and good guidance through the closing is an excellent investment.

M&A brokers and advisors know the taxes from selling your company can be complex and have many trip wires. Owners are most often unfamiliar with the best steps to minimize their tax bite and to avoid unintended mistakes. Managing tax structure is a familiar piece of the mergers and acquisition process that is regularly implemented by professional business advisors such as business brokers, investment bankers, and M&A brokers and advisors. The M&A process is designed to maximize net value while minimizing risks. It involves “quarterbacking” the business sale contributions from all key advisers, including tax and legal experts.



According to a leading tax firm, the Tax Reform Bill: The Tax Cuts and Jobs Act (TCJA) passed into law at the end of 2017 made changes that affect all kinds of taxes - individual, corporate, partnership, "pass-through" entities, estate, and even tax-exempt organizations. This afforded some relief in taxes from business sales. Despite this, unmanaged, taxes – combined federal, state, sales taxes and other – can be as high as fifty percent. Properly managed, this tax bite can most often be substantially reduced or deferred, sometimes even to nothing. Knowing where to look and how to position and negotiate the sale is critical. It is a sound business decision to have an expert in guiding your business sale to insure all parties are working to help the seller and the buyer mutually gain the best advantages from a sale.

Questions that need to be carefully considered in order to pay no more taxes than are legally required may include:

1. Will taxes created by your sale structure result in ordinary income or capital gains treatment? In what situations and structures will this matter?
2. How does your firm’s structure, as a limited liability company, sole proprietorship, partnership or a corporation, impact your taxes due from selling a business?
3. How will the pricing of your business sale be allocated between tangible versus intangible assets?
4. What is the tax basis in your company and also in the assets owned by the firm?

5. How much depreciation has been taken against your assets?
6. Will buyers agree to terms that help limit your taxes? Which buyers are most likely to do so?
7. How will a sale of goodwill, whether currently on your books or not, be taxed in a sale.
8. How should the “table be set” in marketing and negotiations to help protect your best tax position?
9. What are the implications of an installment sale structure? How can this be managed to your advantage?
10. If yours is a C corporation, can you avoid double taxation on proceeds from selling the business? Will strategies that reduce double taxation cause buyer to pay you less?
11. If you cash out immediately will that increase your taxes?
12. Is it wise to change your business structure now, for example, by converting to an S corporation from a C corporation?
13. Do you have an experienced M&A broker and advisor working for you to coordinate among your key advisors, buyers, and their advisors, to help everyone bring forward your best structure, plan, and sale process?

Selling a business is more complicated than it appears, but experienced M&A advisors or business brokers will manage it with you to create the best possible outcomes, including finding the best tax advantage. They are accustomed to helping you discover and implement the best ways to accomplish buying and selling businesses.

About TOGA, The Oil & Gas Advisor:

The Oil & Gas Advisor's team of M&A brokers and advisors specialize in selling businesses related to the oil, gas, and energy industry. Clients include manufacturers, distributors, services, construction and logistics firms. TOGA is USA's expert in selling propane companies. Since 1987, they have been investment banking merger and acquisitions advisors, providing certified business broker and intermediary services. TOGA's experts are award winning industry leaders with offices in Texas, Oklahoma and Pennsylvania.

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