Legacy ADVISORS GROUP

M & A UPDATE®

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Phase in of the Healthcare Act for 2011

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Introduction

It has been over a year now since the Patient Protection and Affordable Healthcare Act (PPAHA) was signed into law. The expansive PPAHA passed in 2010 contains many provisions that mean benefits for the people of this country. In applying the new law, the government decided it was best to phase in the provisions year-by-year to the existing system of healthcare. This year, 2011, a number of provisions of the law become effective. The following listed benefits begin in effect this year:

Older Children

Adult children, whose parents are purchasing insurance for them, will be allowed to stay on their parents' health insurance. Many companies have set up cafeteria benefits in order to dispose of the costs of the health care measures for families. This in effect will enable employees to shoulder the costs on their own healthcare, yet provide for health care coverage for their children that are age 26 and under. Most healthcare benefits provided under this provision of the law for workers and retirees comes tax free as it has in the past.

Changes to Flexible Spending Accounts

Effective also on January 1, 2011, the cost of over-the-counter drugs cannot be reimbursed by Flexible Spending Accounts, unless a prescription has been issued. Archer and Health Savings Account holders will be under a similar rule.

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A CASE STUDY

The IRS has issued guidance regarding employer federal tax deposits to be made by electronic funds transfer. Normally, comments by the public would be taken to buffer issues that would come about and the IRS would make changes as necessary to the regulation. This time, comments were not taken regarding security and privacy and the fact that some firms do not own computers. The IRS's stance is that security is adequate and firms not owning computers can make the transaction with a telephone call. The old coupon system through banks will be phased out in the near future and this new electronic system will go forward.

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Mike Ertel is a Certified M & A Advisor and a Principal Broker with Legacy Advisors Group, a full-service M & A Advisory firm with an office in Tampa, Florida specializing in representing sellers and buyers of small- to mid-sized companies. Prior to joining Legacy Advisors Group, Mike's business career spanned 30+ years with Fortune 500 and Fortune 1000 Companies, with senior management roles in Marketing, Operations and Logistics. Mike also served as President, COO of a mid-sized Manufacturing company headquartered in Tampa. Mike also holds a BS in Electrical Engineering and an MS in Industrial Administration, both from Purdue.

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Cover Story

Small Business Tax Credit

This year, employers with 25 or less full-time employees, that average compensation of $50,000 or less, and pay at least half of the health insurance coverage for their employees are eligible for a tax credit. During tax years 2010, 2011, 2012, and 2013, employers will receive a 35% tax credit (in addition to a tax deduction for the premiums paid less the tax credit).

Indoor Tanning

The new law creates an excise tax on all indoor tanning services. The individual that receives the service must pay the tax to the operator; who will collect the tax and remit it to the federal government. The tax is 10%.

Reporting

Employer provided coverage is not taxable as it has been in the past. In 2011, W-2s will have a space provided to inform employees of the value of the healthcare benefits provided to them by their employers. The forms will include information based on the 2011 tax year

Adoption Credit

This year, the Act increases the maximum adoption credit to $13,170 per child up from $12,150. The credit is based on reasonable and necessary fees paid by the adopting parents. The law also has a refundable feature, meaning that if the amount paid exceeds the taxes the couple paid that particular year, a refund for the credit can still occur.

The Donut Hole Rebate

The Act provides for a one time $250 rebate in 2010 to assist with the Medicare Part D coverage gap. This rebate does not repeat itself in 2011.

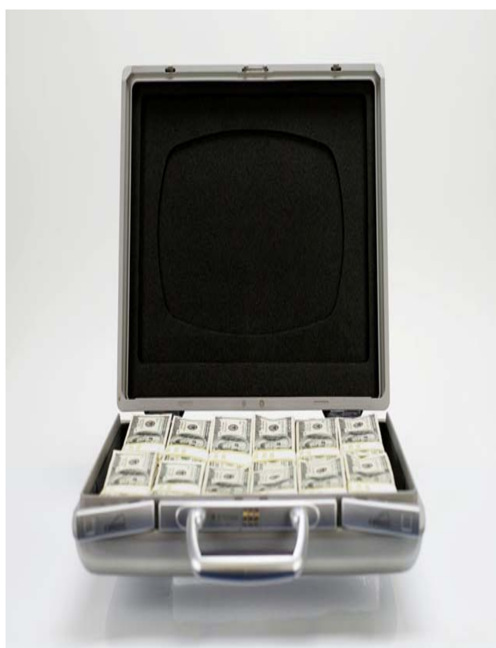
Conclusion

The Patient Protection and Affordable Health Care Act is sweeping in its effect on healthcare. In order to keep an even keel on the health care system that was already in place, Congress and the President developed a slow phase in period. To keep up with the changes, you should plan accordingly.

Dr. Bart A. Basi is an attorney, CPA, and the Senior Advisor of The Center for Financial, Legal & Tax Planning, Inc, a full service company specializing in financial, legal & tax matters. Basi is a nationally recognized author, lecturer, and advisor on how to structure deals to minimize taxes. Tax structure makes the difference between getting the deal done and watching the deal fall apart. Many of you may be familiar with Basi and the topics he covers in the Financial, Legal & Tax Advisory which may be read in various industry-specific trade publications.

A CASE STUDY CONTINUED:

Editor's Comment: It is important to deposit withholding taxes on a timely basis. Many small employers hold off on making employee deposits because withholding amounts are an easy (but hazardous) source of cash. Hopefully, the new electronic system will prevent employers from using withheld amounts to fund operations or to spend in another fashion.



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Points of Interest

- **In applying the new law, the government decided it was best to phase in the provisions year-by-year to the existing system of healthcare.**
- **In 2011, W-2s will have a space provided to inform employees of the value of the healthcare benefits provided to them by their employers.**
- **To keep up with the changes, you should plan accordingly.**

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Avoiding Common Mistakes in Selling Your Business – Exiting Without a Plan

Mike Ertel, CBI/ M&AMI/ CM&AA

As the generation of Baby Boomers approaches retirement, it has been estimated that over the next twenty years retiring business owners with be seeking to successfully exit their businesses, with an aggregate value in the trillions of dollars.

Without the assistance of an experienced M&A advisor and a comprehensive transition plan & process to maximize the value of their business and ultimately their own personal wealth, many of these business owners will typically:

- Exit their companies as a result of pressure from outside circumstances, not as a result of their own desires
- Exit their companies on a timetable that's forced on them, instead of one that meets their needs
- Undervalue their companies and leave hard earned wealth on the table
- Pay too much in taxes
- Lose control of the process by being reactive rather than proactive
- Fail to realize their business and personal goals
- Suffer unnecessary personal stress

From experience, we recommend that our selling clients begin the process 2-3 years before they believe they will really need to sell the business. While some businesses have sold in as short as six months, the average tends to be closer to a year, with some businesses requiring 2-3 years before finding the right buyer and the right deal. In addition, some business may benefit from making a few changes/improvements to their business to command the best price and terms and it may take from a few months to a year or more to implement those changes.

If you know of a business owner who's thinking of selling or buying a business and who might benefit from a free, confidential, consultation with us, have them contact me at: mertel@legacyadvisorsgroup.com

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Frequently Asked Questions…

Q: I own a business that is moderately successful and would like to see it passed on to my wife and children. How and when is the best time to start the process or begin planning the transfer?

A: The best time to begin the business succession process is right now, if it is your desire to keep your business as a going concern after your leaving, or even if you do not plan for the business to stay as a going concern. If you do not plan for the succession (or even non-succession of your business), your estate or heirs can and will be subject with the burden of making decisions that may not be the best for the business or your interests.

Q: Why is it important to perform estate planning even if you do not intend to pass your business onto the next generation or exit the business?

A: It is always better to have a plan than not have a plan. Even if your business is not intended to be an entity to be passed on, certain issues arise during the process of probate. Debts of the business can be the responsibility of the estate. Another possibility arises that the business may be large enough to warrant estate tax liability. Even though you may not want your business to be a going concern after your passing, your estate may have issues to deal with that can be planned for now.

Q: I rent my home out 2 weeks per year to a couple from Ireland each year. Do I have to report this income from the rental of our house?

A: No you do not. If you rent your home out for fewer than 15 days each year, you do not have to report the income. On the down side, you cannot deduct rental expenses associated with your home.