



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.

The American Recovery and Reinvestment Act of 2009

*Bart A. Basi, CPA/Attorney at Law
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Introduction

During the early part of 2009, the economy in the United States faced a dire situation. The scenario unfolding was one of high unemployment, tight credit, low consumer spending, bankruptcies, foreclosures, and health insurance issues. To work its way out of the problem, the United States Congress and the President, enacted The American Recovery and Reinvestment Act of 2009. Along with various spending provisions, the following tax incentives were enacted and are important to point out, because some of them expire soon.

First-Time Homebuyer Credit

In short, the house being purchased must be closed on by November 30, 2009, as it is set to expire. It applies to home purchasers who have not previously owned a home in the past 3 years. The credit is for up to \$8000, representing 10% of the purchase price. The \$8000 credit does not have to be paid back if the home is lived in for three years by the buyers. If the home is sold in the interim 3 years, the credit must be paid back.

New Vehicle Purchases

The Act allows buyers of new cars and light trucks to deduct the state and local sales taxes paid regardless of whether the taxpayer itemizes or not. For taxpayers in states with no sales taxes, the Act provides for other fees paid to be deducted. This provision expires December 31, 2009.

Education Benefits

To defray the costs of ever increasing higher education, the Act increases the amounts and income levels associated with the Lifetime Learning Credit and Hope Learning Credit.

Unemployment Benefits

Normally all unemployment benefits are taxable. Since 2009 was a hard year for the employment scene, the Act allows the first \$2400 of unemployment benefits to be tax free. This exemption applies only to benefits earned in 2009.

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A CASE STUDY

A chief executive officer (CEO) was found liable for employment taxes that were not paid by a subsidiary company. In this case, the taxpayer was the CEO for a holding company. One of the holding company's wholly-owned subsidiaries had failed to fully pay

required employment taxes. Because the CEO had authority and control over the finances of the subsidiary and he willfully failed to pay withheld taxes, the Court determined he was personally liable for the assessed employment taxes.

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Energy Efficiency & Renewable Energy

The Act provides numerous opportunities for businesses and individuals to invest in and save money on energy through purchasing energy efficient property. Generally the deadlines have been extended for both businesses and individuals. Those looking to replace air conditioning units, heaters or other units as well as adding insulation, etcetera are well advised to check specifications of the product they are buying to ensure the purchase is deductible.

Making Work Pay Tax Credit

This is a tax credit in the amount of \$400 for an individual or \$800 for a married couple. It reduces the amount of withholdings taken out of each paycheck meaning more take home pay and potentially less taxes being due at the end of the tax year. This credit applies during 2009 as well as 2010.

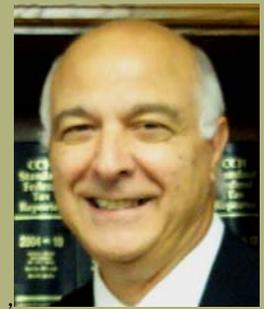
Health Insurance Subsidy

Because of the health insurance and employment situation, relief for those who

go unemployed is effectuated in the form of a tax credit. For those going on COBRA policies, employees can receive up to 65% of their premiums reimbursed by the government. To qualify, the employee must have been involuntarily separated from employment between September 1, 2008 and December 31, 2009.

Conclusion

While America is going through difficult financial and economic times, the government remains sensitive to the plight of its people. Many political analysts believe this is only round one of a series of new laws to come out of Congress to encourage recovery and uplift new policies to fight the recession / economic downturn. The Center closely follows tax laws, trends, and the economy that are vital to its clients. If you are looking to buy or sell a business, or are concerned how any of the above tax provisions affect your business, contact the professionals at The Center for all of your financial, legal, and tax concerns.



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: This case demonstrates the potential liability for individuals regarding their companies, regardless of their corporate structure. In this case, the individual held liable for the unpaid employment taxes was not even an officer of the subsidiary, but the holding company that owned the subsidiary. The Court found that this structure provided the individual with enough authority over both companies to hold him liable for the company's taxes. Incorporation provides protection for personal liability only if formalities are observed and taxes are paid.



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Points of Interest

- During the early part of 2009, the economy in the United States faced a dire situation.
- Since 2009 was a hard year for the employment scene, the Act allows the first \$2400 of unemployment benefits to be tax free.
- Many political analysts believe this is only round one of a series of new laws to come out of Congress to encourage recovery and uplift new policies to fight the recession / economic downturn.



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VALUE DRIVERS TO MAXIMIZE THE SELLING PRICE OF YOUR BUSINESS – PART 2

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

This is the second in a series of articles outlining the steps any business owner can take to maximize the value of his/her business when it comes time to sell. If you'd like to see previous articles in this series, visit our website at www.legacyadvisorsgroup.com. If you'd like a copy of the complete list of value drivers, e-mail me directly at mertel@legacyadvisorsgroup.com and request the Value Drivers list.

3. Favorable Sales & Profit Trends

Buying a business is a lot like buying any other investment, such as stocks or real estate: Everyone wants to buy it when it appears to be going up, and some will even pay a small premium based on this future growth potential. Conversely, few people want to buy stocks or real estate when it appears to be falling, and/or will discount it heavily based on its perceived future decline.

4. Defensible Niche

Ideally, there should be good reasons why your customers do business with you that would be difficult, if not impossible for your competitors to ever match. When the barriers to competitive entry are perceived to be very high, buyers will pay a premium price.

5. Lack of Customer Concentration

When the loss of any one customer would not have a material effect on the business, buyers will pay a premium. Conversely, when one or a very few customers represent 25% - 50% - 80% of a company's business, this can be a deal killer for many buyers and their lenders.

6. Strong Management Team; Near- Absentee Owner

A new buyer will likely not know everything there is to know about your business, and will look at the strength of the current management team to see if they can be counted on to help him/her manage the business once the current owner departs. This is especially true when it comes to customer relationships. How likely is it that some/many current customers will quit doing business with the company once the current owner leaves? A Seller who fails to develop his/her management team, and insists on doing everything him/her-self, and appears to be indispensable, may optimize the business' cash flow in the short term, but at the same time may make his/her business unsalable.

To be continued...

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 purchased rental property and there were a lot of costs involved. What costs am I allowed to deduct?

A: You are allowed to deduct interest and real estate taxes, for the most part. Other fees such as closing costs and settlement fees are not deductible. They are simply added to the purchase cost of the property. When the property is sold, these costs will reduce the gains if any.

Q: Due to the conditions that exist in the real estate market, the sale of my rental property netted a loss. How do I report the sale of a loss on rental property?

A: The loss resulting from the sale of rental property is reported on Form 4797. On the positive side, it is taken as a loss against ordinary taxes and not a capital loss.

Q: If I make repairs or improvements to my rental property, are those alterations subject to an immediate deduction or are they more likely to be depreciated over time?

A: If a major alteration such as a new roof is added, floors are installed or otherwise an alteration that substantially improves the value and adds to the lifespan of the asset, the improvement is subject to depreciation as part of the structure subject to 27.5 years, straight line depreciation. Smaller repairs, such as painting, repairing a window, or replacing one piece of siding can be deducted currently.

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