Legacy M&A ADVISORS LLC

M&A UPDATE®

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Last Chance to Lower 2015's Tax Bill

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The Center for Financial, Legal & Tax Planning, Inc.

Let me ask three questions. Are you:

1. Depressed because you blew all of your opportunities to lower your taxes?
2. Thinking about all the lost opportunities to retire at a younger age?
3. Regretting all of the Christmas eating and New Year's [glug…glug] indulgences?

I can't help you with the last one, but I can help you with the first two! Many people think that 2015 is history. It isn't for people who care about getting a nice tax return. Are you one of those people?
Depending on which retirement account you have or are willing to open, you may be able to contribute $5,500, or you may be able to contribute $53,000. The contribution amounts listed here are valid for 2015 and 2016.

Traditional IRA - *Deadline to create or contribute for 2015 tax year – 4/15/2016, no extensions.*

The traditional IRA is an individual retirement account. These can be set up by an individual at a bank or other financial organization. The annual contribution limit for 2015 and 2016 is $5,500 and the law allows $1,000 annual "catch-up" contribution limits for those turning 50 years of age and older this year. Under the traditional IRA, contributions are deductible, but distributions are taxed when made in the future.

Roth IRA - *Deadline to create or contribute for 2015 tax year – 4/15/2016, no extensions*
This is also an individual retirement account. The contribution limits are the same as the traditional IRA; however they are not deductible in the year made. Staying true to the "Roth" form, the contributions are not deductible, but the distributions do not get taxed when made in the future.

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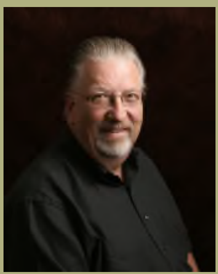

Mike Ertel is a Certified M & A Advisor and a Principal Broker with Legacy M&A Advisors, LLC, a full-service M & A Advisory firm with an office in Tampa, Florida specializing in representing sellers and buyers of small- to mid-sized companies. Prior to joining Legacy M&A Advisors, LLC, Mike's business 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.

A CASE STUDY

Early Interaction Initiative

The IRS has developed the "Early Interaction Initiative". The initiative acts by more quickly identifying employers that are getting behind on their payroll or employment taxes. It is designed to HELP employers, not hinder them. Methods such as letters, phone calls, and even visits from IRS officers will encourage them to pay the IRS and avoid penalties and interest.

In the past, the IRS did not even attempt to contact the employer until it was too late and the employer was in desperate circumstances. This often led to the shutdown of the businesses because the processes of dealing with back taxes tends to be stressful on the business owner.

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C o v e r S t o r y

It is also worth noting that the **new myRA** can be contributed to up to 4/15/2016 for the 2015 tax year because the **myRA** is legally a **Roth IRA**.

Simplified Employee Plan (SEP) – *Contribution Deadline for 2015 - 4/15/2016 or extension date if requested. Creation Deadline - due date (or extensions) of business tax returns.*

An SEP is a retirement plan where the employer contributes directly to an IRA of an employee. The employer contributions are excluded from the employee's gross income up to a maximum of 25% of compensation or $53,000, whichever is less. The employee is also allowed to contribute to the plan. SEPs are set up by completing IRS form 5305-SEP and retaining the form as evidence of the plan. The form 5305-SEP is not submitted to the IRS but kept for reference and in the event of an audit of the plan. Proceeds are taxed as ordinary income when distributed.

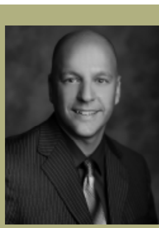
SIMPLE IRA – *Creation Deadline for 2015 - Closed October 1, 2015 Contribution Deadline – December 31, 2015*

Unfortunately, the opportunity to fund a SIMPLE is simply over for 2015, but they have higher contribution limits than other individual retirement accounts.

This plan is established by an employer by completing forms 5304-SIMPLE, when the employee can choose the financial institution, or 5305-SIMPLE, when the employer chooses the financial institution, which will receive the contributions. The annual limit of contributions is now $12,500 annually, while allowing $3,000 in annual catch-up contributions. The contributions are not taxed when made, but are taxed as ordinary income when received.

Conclusion

It is best to maximize your income by investing in your future and your retirement. Contributing money to a retirement plan not only invests in your retirement, but also puts the money in a place where creditors are usually unable to garner the money. There is still time to contribute to your retirement plan in order to reduce your taxes payable or increase your return amount for 2015. It is also worth mentioning that if you haven't set up an IRA, you still can and fund the account as well. Knowing the basics and amounts that can be contributed to the respective plan is always valuable knowledge to have when you are planning for your retirement and taxes. If you have further questions about retirement plans, feel free to call The Center for further details.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About the author:

Roman A. Basi, President of The Center, is an Attorney, Real Estate Broker, and Title Insurance Agent. Roman speaks and advises The Center's clientele on such matters as Business Law, Succession, Estate & Tax Planning and Real Estate.

Points of Interest

- **…you may be able to contribute $5,500, or you may be able to contribute $53,000.**
- **Unfortunately, the opportunity to fund a SIMPLE is simply over for 2015, but they have higher contribution limits than other individual retirement accounts.**
- **It is best to maximize your income by investing in your future and your retirement.**

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A CASE STUDY CONTINUED:

Editor's Comments:

Finally! A process that has been detrimental to many businesses over the past 30 years has been corrected. For too long, the IRS has been very relaxed in its collections of payroll and employment taxes. The employment and payroll taxes would become a burden on the employer and business owners would frequently have to borrow the funds or even shut the business.

This is an inequitable result given that many small businesses employ a large portion of the workforce.

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WHEN YOU'RE READY TO SELL YOUR BUSINESS, WILL YOUR BUSINESS BE READY TO SELL?

It's been estimated that the owner of a typical small- to medium-sized business has up to 90% of their personal net worth tied to their business. Their retirement plan is simple: Sell the business for a whole lot of money and live off the proceeds. Problems can arise for a variety of reasons when the business owner is ready to retire and the business isn't ready to sell.

In many cases, the business owner has underestimated the amount of time it will take to prepare the business for sale, and/or the length of time it will take to conduct an effective marketing campaign to find the right buyer and negotiate the best price and terms and actually get the deal closed. In other cases, the owner is simply unaware of the steps he/she might take to maximize the attractiveness of the business, and ultimately its market value.

Experts suggest that business owners begin as much as 3 to 5 years – and in some cases longer – prior to their ideal "last day" in the business. While this might seem excessive, there are several good reasons for such a lengthy planning and preparation period. First, more sophisticated buyers will insist upon reviewing 3 – 5 years of historical financial statements, preferably reviewed - or at least compiled - by an outside accounting firm. Larger & more sophisticated buyers may require audited financial statements. If your business is not doing this now, it can obviously take several years to build up this well-documented financial history.

Furthermore, a business owner would be wise to anticipate some of the common issues that often show up in due diligence that will lead the buyer to either reduce their offer, or walk away from the deal altogether, and implement changes to eliminate or at least minimize them. Some common concerns are: Excess Customer Concentration; Excessive Supplier Concentration, Lack of Management Depth; Threat of Technical Obsolescence, and Overdependence upon the Seller

Additionally, a business owner might choose to implement one or more changes to improve the proven cash flow of his/her business, since this is so important in determining the ultimate market value of the business, and these can take time to implement and bear fruit.

Likewise, the owner of a small- to mid-sized business should allow about 1 year - and in some cases substantially longer - to conduct an effective marketing campaign to find the right buyer and negotiate the best price and terms, and actually get the deal closed. Finally, many savvy buyers will want the seller to stay on in a management/consulting role for six to twelve months, and in some cases longer.

If you know someone 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@lmaallc.com

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Frequently Asked Questions…

Q: It is clear that I will end up owing taxes for the 2015 tax year. What can I do in order to reconcile the situation with the IRS?

A: There are a few avenues that can be taken. First, you can pay the bill in full. If the liability is too large you may file an installment agreement with the IRS to pay the debt over time. In extreme cases, an offer in compromise is also a path.

Q: What will the estate tax exemption be for 2016?

A: It is indexed for inflation at $5,450,000 for 2016. The annual gift tax exemption remains at $14,000.

Q When I sell my business, what assets can I expect to keep in the transaction?

A: When a business is sold, the asset purchase agreement dictates which assets are sold and which assets are kept by the seller. Typically, the cash and accounts receivables are not sold along with the other assets as the seller keeps these in order to pay outstanding debts of the business and provide the buyer with free and clear ownership. It must be remembered that an asset sale means the corporate structure is still in existence and may have to be dissolved after the sale.