



Sansiveri, Kimball & McNamee, L.L.P.

Certified Public Accountants • Business Consultants

55 Dorrance Street • Providence, Rhode Island 02903-2220

Providence • Newport • Westerly

TEL 401.331.0500 FAX 401.331.9040 [www.sansiveri.com](http://www.sansiveri.com)

## **From Summer 2009 Newsletter**

### **Why Succession Planning is Important: Quick Tips**

#### **Reducing Taxes on the Sale**

There are myriad and complicated tax issues involved in selling a business, so our hypothetical business owner, John, should work closely with his accounting professional to implement tax reduction strategies. Together, they should establish and implement legal and tax structures at least one year prior to selling to help reduce John's potential tax liability. Here are two thoughts to consider:

- In general, sellers can reduce their tax liability by structuring the sale of their business as a stock transaction to obtain lower capital gain rates. Buyers, however, generally prefer to purchase the assets of the business in order to benefit from immediate tax write-offs. This will likely be a key point of negotiation between John and any potential buyer.
- If John is going to finance the purchase himself, he can defer some of the taxable income and taxes by extending the terms over several years. This would allow him to qualify the sales as an installment sale for tax reporting purposes. However, this must be balanced with his liquidity needs and the additional risk he might be assuming.

For more information and strategies for reducing taxes, please contact David Gobeille, tax partner, at 401-752-0577.