ClearSky
CPA
Build. Grow. Exit. Minimize Taxes.



CASE STUDY |

BUSINESS EXIT & TAX STRATEGY

The Sale Price Didn't Change. The Tax Outcome Did.

How ClearSky CPA helped a business owner renegotiate $1 million of a $2.825 million business sale allocation to create a significant federal tax advantage.

www.clearskycpa.com

1. The Decision

After years of building a successful family entertainment business, the owners were ready to sell for $2.825 million.

The sale price had been negotiated. But one critical detail remained: how much of that price would be allocated to equipment versus the business's goodwill.

To most business owners, this might seem like an accounting detail.

To ClearSky CPA, it represented a significant tax planning opportunity.

2. What Was at Stake

The buyer preferred allocating more of the purchase price to equipment, potentially providing faster tax deductions after the acquisition.

But what benefited the buyer could create a much higher tax bill for the seller.

Gains attributable to previously claimed depreciation can be taxed at ordinary federal income tax rates, as high as 37%.

Qualifying gains from goodwill, on the other hand, may receive the preferential 20% federal long-term capital gains rate.

T**he same selling price could produce dramatically different after-tax proceeds.**

3. The ClearSky Approach

Rather than accepting the proposed allocation, ClearSky evaluated the tax impact and worked with the owners and their transaction team to negotiate more favorable terms.

We reviewed the equipment, historical depreciation, and value attributable to goodwill.

The result was a negotiated shift of approximately $1 million from depreciable assets to goodwill. The final $2.825 million allocation included:

- $625,000 for equipment and tangible assets.
- $2.2 million for goodwill and intangible assets.

The total selling price remained unchanged.

What changed was how the sale proceeds would be taxed.

4. The Outcome

The revised allocation created the potential for substantial federal tax savings.

Consider the difference on $1 million of qualifying taxable gain:

- At a 37% ordinary income rate: $370,000 in federal tax.
- At a 20% long-term capital gain rate: $200,000 in federal tax.

That's a potential $170,000 federal tax difference, without increasing the sale price by a single dollar.

The actual benefit depends on the depreciation history, applicable tax rules, and the owners' overall tax circumstances.

More importantly, the owners had a clearer understanding of the transaction's financial impact before finalizing the sale.

5. The Bigger Lesson

The price you sell your business for matters. What you keep matters more.

Many owners spend months negotiating the selling price without realizing that the structure of the transaction can be just as important.

At ClearSky CPA, we help owners evaluate these decisions before agreements are finalized, bringing tax strategy into the conversation when it can make the greatest difference.

Because building a valuable business takes years.

Protecting the value you've created takes strategy.



These case studies illustrate specific client circumstances and outcomes. Results vary based on individual facts, timing, and applicable tax laws. Past results do not guarantee similar outcomes. This information is for educational purposes and is not individualized tax, legal, or investment advice.



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