



National Association
of Tax Professionals

Exit Strategy - For The Tax Pro

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Exit Motives

Is your practice your nest egg?

Health reasons?

Simply counting the days?

Don't want to take the test?



Exit Options

Taxes - then die

Clients: get your stuff

Internal successor

Join with another practice

Sell! Sell! Sell!



Prepare Taxes; Pay Taxes; Then Die!

Advantages

No planning
You don't have to deal
with anything

Disadvantages

Well...the die part is
certainly a
disadvantage!
No value for your
practice
Your clients left
hanging
Your family dealing with
unknown issues

Clients: Get Your Stuff....

Advantages

No planning – just send a letter

Clients will possibly have time to make a change

Your heirs/successors won't have to deal with it

Disadvantages

No value for your practice

Existing employees and staff could have negative consequences

Successor – Partner – Merger

Continue working?

Give up control?

Finding just the right
person



SELL!!!

Timing

Employees

Confidentiality

Client retention

Practice value

Terms of a sale

Financing

Broker or not?



The Value of Your Practice

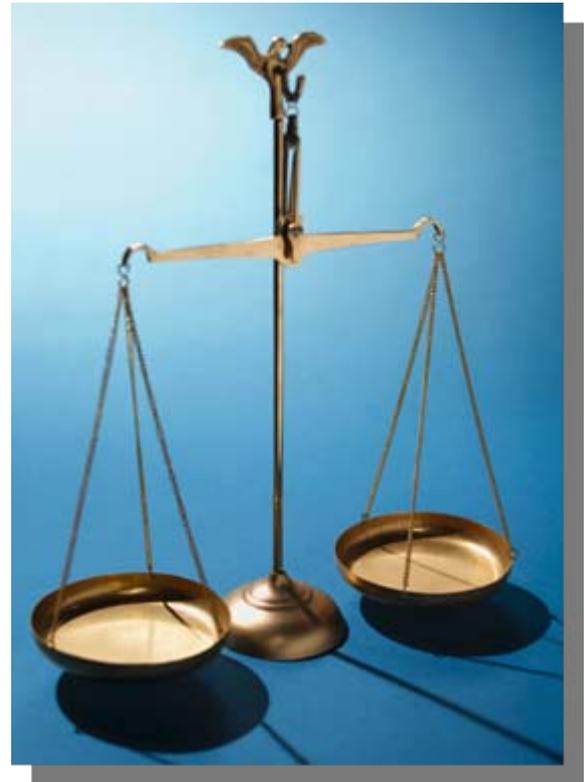
You are selling something that doesn't even belong to you!



Section 7216

Consent to disclose
needed?

Does this meet an
exclusion?



Types of Assets

Class I assets are cash and general deposit accounts (including savings and checking accounts) other than certificates of deposit held in banks, savings and loan associations, and other depository institutions.

Class II assets are actively traded personal property and include certificates of deposit and foreign currency even if they are not actively traded personal property.

Class III assets are assets that the taxpayer marks-to-market at least annually for federal income tax purposes and debt instruments (including accounts receivable).

Class IV assets are stock in trade of the taxpayer or other property of a kind that would properly be included in the inventory held by the taxpayer primarily for sale to customers in the ordinary course of its trade or business.



Types of Assets (cont'd)

Class V assets are all assets other than Class I, II, III, IV, VI, and VII assets. Furniture and fixtures, buildings, land, vehicles, and equipment are generally Class V assets.

Class VI assets are all section 197 intangibles except goodwill and going concern value.

Class VII assets are goodwill and going concern value (whether or not the goodwill or going concern value qualifies as a section 197 intangible).

Useful Forms & Pubs

Publication 544, Sales and Other Dispositions of Assets

Form 8594, Asset Acquisition Statement

Publication 537, Installment Sales

Publication 541, Partnerships

Publication 550, Investment Income and Expenses

Form 6252, Installment Sale Income

Form 4797, Sales of Business Property

Selling Entity Type

Sole Proprietor

Form 1040

Line 21

Schedule C

Form 4797

Schedule D

Form 8949

Partnership - C Corp - S Corp

1065/1120/1120S

Form 4797

Schedule D

Form 8949

Selling Your Interest

Partnership

Treated as a capital asset when sold.

The part of any gain/loss from unrealized receivables or inventory items will be treated as ordinary gain or loss.

Corporation

Represented by stock certificates.

When you sell these certificates, you usually realize capital gain or loss.

Summary

Plan ahead!

Get your books in order!

Check out your own staff!

Don't put this issue off!

