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What Is Your Business Worth?

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Do you know what your business is really worth? The definitive answer is that it depends – really! Depending on the different circumstances for which a business valuation might be required, you could have multiple valuations for the exact same business at the exact time and place.

For example, have you ever sold/disposed of a car? The number of values for that exact same car could make your head spin. Of course there is the trade-in value at the dealer – usually fairly low. Then there is the retail price the dealer charges for the car after you have just traded it in – usually the highest. Finally, there is the private sale between you and an interested party – usually a number in between. For the exact same car, therefore, there are three different values depending on the circumstances. The same can be said for clothing – pre-season, during the season, and off-season.

Your business can also have several different values too. It may have a value, sold “as is” to someone who would become your successor. It may have a much higher value if it were sold to a competitor who simply wants you out of business or believes that synergies exist to combine the two. It may have an altogether different value if you were to close its doors and sell its assets.

But that’s not all. Your business may also be worth a fraction of any of those values if small portions of its ownership (stock or membership certificates/ interests) were sold or given to outsiders or members of your family. Such gifting can and usually is a valuable succession and estate planning tool. With proper documentation, discounts for small gifts can reach nearly 50% of their proportionate value. These discounts are allowed and recognized by the Internal Revenue Service for estate and gift taxes; however, proper research, planning and execution are vital to their acceptance by the IRS.

Sound complicated? It can be. That’s why CPAs with many years of practical experience, who are also accredited in business valuation (ABV), certified valuation analysts (CVA) or certified specialists in estate planning (CSEP) can help you determine what is best for your specific situation. For more information about this topic or to find out what your business is worth, please call a WS+B valuation specialist at one of our local offices.

*ALSO IN THIS
ISSUE:*

*Choosing the Right
Business
Entity Type*

NJ Tax Update

*Insuring Your
Future*



Choosing – or Changing to – the Right Entity Type for Doing Business in New Jersey

Kimberlee S. Phelan, CPA, MBA
Tax Shareholder

Choosing the entity type for your new or existing business is a critical decision involving many legal and tax considerations. Each entity type has its own nuances and not every entity is appropriate for every business, but understanding the distinctions can help you choose the right entity type for you – whether it's a sole proprietorship, partnership, C corporation, S corporation or limited liability company.

How do you decide which entity is right for you and your business? Some of the factors you should consider are:

- Taxation of Profits: How much net income is the business expected to generate each year? Are the individual owners in the top tax bracket?
- Liability Protection: Is the business exposed to potential service or product liabilities? Are the owners' personal assets protected from business claims?
- Losses: Is the business generating or expecting to generate operating and/or capital losses? Do the owners need/want to deduct the losses against other personal income currently?
- Ownership: Who will own the entity? Will the business have foreign, non-individual, or more than 75 owners?
- Financing: Will the business need to obtain financing either from a private or public offering of securities?
- Compensation: How will the owners be compensated? Will tax-advantaged fringe benefits be offered to employees, including the owners? Is the owner's compensation reasonable?
- Succession Planning: What will happen if an owner decides to leave? What if an owner dies or becomes disabled?
- New Jersey and Multi-State Tax: What are the reporting and payment implications, not only of state income tax, but also sales & use tax and payroll taxes, not to mention the myriad of new fees imposed by the state of New Jersey.

Most of these questions may only serve to raise NEW questions. Doing business in the state of New Jersey has never been more challenging. Make sure you are on the right road to success – review your current situation, or plan for a future business by contacting a WS+B tax professional.



It's Not Just a Millionaire's Tax...

By Michael H. Hoffman, CPA
Tax Manager

While media coverage has brought attention to New Jersey's "millionaire tax" in recent months, there are several other key components that have gone relatively unnoticed.

The tax law changes will have an impact on the calculation of the corporate business tax for taxable years that begin in 2004 and 2005. The new legislation allows net operating loss (NOL) carryovers to these tax years to offset up to a maximum of 50% of the entire net income of the entity. These changes replace the legislation that suspended the utilization of New Jersey NOLs during tax years beginning in 2002 and 2003. Additionally, the new legislation provides that there shall be an NOL carryforward extension for the amount of the NOL that is disallowed under this provision for a period equal to the period for which the application of the NOL was disallowed.

Another important tax law change having an impact on corporations is that, in addition to not allowing federal "bonus depreciation," New Jersey will also not follow the federal tax law that increases the amount of capital assets that can be expensed in lieu of depreciation under section 179 of the Internal Revenue Code. For property acquired after January 1, 2004,

the federal government allows the expensing of up to \$100,000 in lieu of depreciation. New Jersey will, however, retain the expense deduction limitation of \$25,000 that was in place before the enactment of the federal change.

In addition, a 6% outdoor advertising fee is now imposed on the gross amounts collected for advertising space on an outdoor billboard or sign. This 6% fee will be reduced to 4%

for the period July 1, 2006 through June 30, 2007. It does not apply to entities that are treated as exempt organizations for sales and use tax purposes. It also subjects outdoor advertising signs to real property tax.

Some of the other key tax provisions that affect New Jersey consumers and businesses include a \$1.50 fee on the purchase of new tires, a 6% assessment

on cosmetic medical procedures, license suspensions for tax-noncompliant businesses, a tax increase of 35 cents per pack of cigarettes, and an additional "general purpose fee" on realty transfers.

For more information on how these tax changes affect you and your business, please contact a WS+B tax professional.

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Insuring Your Future with IIAG

Insurance is a confusing and often overlooked part of personal finances. WS+B recognizes this fact and is pleased to announce its strategic alliance with the Insurance & Investment Advisory Group. IIAG is a company dedicated to providing sales and consulting services to help you plan your financial future in an unbiased, objective environment.

WS+B has arranged for a complimentary review of existing insurance policies for clients, families and friends of the firm. An IIAG representative will discuss changes in the insurance marketplace, evaluate your current policy's performance, review your financial/estate/business plan and offer alternative policy solutions when advantageous to you.

IIAG offers life insurance, health insurance, disability insurance, long-term care insurance and annuities from many of the best known insurers such as MetLife, Mass Mutual and New York Life. This scope enables IIAG to provide you with a cost-effective, customized plan to meet your individualized needs in a professional, consultative fashion.

We will be sending you more information about IIAG and its services in the coming months. In the meantime, please contact Tony Sardis, president of IIAG, for a free consultation about your financial options at 732-668-7144 or asardis@4iiag.com.

