

# Bus 670 week 1 dq 2

Business



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Capital Gains Question From the article "What Business Owners Need To Know about Capital Gains" a planning opportunity that could be beneficial to corporate and independent business is the "Business owner's estate plan."

Generally, corporate and independent businesses have a single owner.

Therefore, for all independent businesses, the proceeds obtained are for the proprietor who does not share it out as in the case of a partnership.

The "Business owner's estate plan" may therefore be appropriate to an independent entity for there exists no or less federal estate tax (Parrish). In addition, independent businesses may benefit from it since when a business owner happens to pass on their business at death, the basis of the income tax will probably "step up" to the death value date. Moreover, an advantage is accrued because the entity owner's family can freely sell it exclusive of capital gains. Further, there exists a possibility of the income tax basis being carried over in a situation where the owner provided the business to their family as a gift (Parrish).

#### Question 2

According to Gwen Seaquist in the book "Business Law for Managers" some of the benefits/merits that can accrue from capital gains lies in the fact that it provides a more favorable and encouraging federal tax rate of 20%. This includes both married and individual tax payers. A business' capital gain gets reaped by the business in a K1 "pass-through" taxation form that normally is issued by LLC or an S corporation to transfer the profits to the individual owners rather than the company.

Seaquist, however, as a drawback implies that since the investments exists on the company's records or books, a more complex and detailed accounting may be needed. This could result to the delay of finances or tax returns of

the company. Additionally, it becomes crucial for one to consult their accountant in order to consider how their sale's timing may impact on their financial/tax processing.

#### Works Cited

Parrish, Steve. "Zero To 60: What Business Owners Need To Know About Capital Gains." *Forbes*. 30th January 2013. Web. 22nd January 2015.

Seaquist Gwen. *Business Law for Managers*. Bridgepoint Education, 2012. Print.