

## 2012 Presents Unique Business Sale Opportunity

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For those business owners who are thinking of a sale in the next five years or so, there are several compelling reasons to make 2012 the year to execute your exit strategy. This year will offer a unique combination of factors that may yield a quicker sale and more after-tax proceeds to the owner.

### *Expiration of the Bush Tax Cuts*

The final years of the Clinton presidency produced budget surpluses that the Congressional Budget Office (CBO) projected would continue into the foreseeable future. In response to these projections, the incoming Bush administration advocated for a series of tax cuts that were designed to – in essence – “give back” the projected surpluses to the individual taxpayers. Thus, the tax cuts of 2001 and 2003 were enacted which provided for a lowering of individual marginal tax rates and a significant reduction of the capital gains rate. In that the tax cuts were designed to “give back” tax surpluses (thus, increasing the national debt) they were enacted with a 10-year “sunset provision” which called for an expiration of the cuts unless further extended by Congress. The cuts were extended for an additional two years in 2010 as part of the Obama administration’s recovery efforts. Thus, as we stand now, the cuts are again scheduled to expire at the end of 2012 unless further extended by Congress.

Two points.....recent experience has made it clear that Congress is at a legislative standstill with neither Democrats nor Republicans willing to give in to reach the compromise necessary to agree to a tax cut extension. Additionally, as 2012 is a presidential election year, hyper-partisanship makes legislative compromise highly unlikely. Thus, it seems likely that the tax cuts will expire as scheduled at the end of the year.

As a result, if you’re thinking of eventually selling your businesses, a sale in 2012 would enable you to take advantage of the existing lowered tax rates on any profit that may result from the sale. Depending on the size of the business, a sale in this year could result in a significant financial advantage to the owner.

### *Vast Pool of Business Buyers*

The job losses that occurred during the Great Recession have resulted in a vast pool of potential business buyers hungry to change the course of their lives. Rather than reentering the job market, many are opting to buy a business where they anticipate being better able to control their destiny going forward. As the economy recovers and other opportunities are presented, this existing pool will be substantially decreased as potential buyers opt for more traditional employment. 2012 will be a prime year to tap into this pool of potential buyers. Additionally, private equity groups and other investment firms are intent on building their portfolios and raising funds in anticipation of increased merger activity as the economy improves.

### *Streamlined (and Improved) Operations*

Businesses that have survived over the past several years have done so by working smart. Oftentimes this has meant trimming expenses to offset decreased revenue volumes. This has resulted in businesses becoming “lean and hungry” and poised to be highly profitable as revenues get back to pre-recession levels. Businesses that have survived and have reinvented themselves are in demand by business buyers. Revenue decreases are not uncommon - almost expected - during recessionary periods and those who have taken proactive steps in response are prized by savvy buyers.

If an exit from your business is on the horizon, 2012 should be the year for you to take action. The current economic and political climates appear to be right for you to cash out and reap the reward for your efforts. As business sales typically take from six to nine months to successfully execute, immediate action is required to take advantage of the pending opportunity.

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