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# What Every Broker and Intermediary *Must* Know About Taxes

William H. Wiersema, CPA  
Principal, Miller, Cooper & Co., Ltd.

# M&A Environment

# Scenario I

\$1-million capital gain to seller

*Tax due at 15%: \$150,000*

## Scenario II

\$1-million corporate ordinary gain  
with distribution of net proceeds

*Corporate-level tax at 34%: \$340,000*

*Dividend tax at 15% of \$660,000: \$99,000*

*Total tax: \$439,000*

*Effective rate: 44%*

# Buyer's Perspective

- ◆ Scenario I: No deduction beyond seller's investment
- ◆ Scenario II: Deduction for any excess paid

# Legal Perspectives

- ◆ Scenario I: All liabilities assumed by buyer
- ◆ Scenario II: Limits on liabilities assumed

- ◆ Does the seller deserve a premium in Scenario II?

# Decision 2004

- ◆ Bush: Retain current reduced rates
- ◆ Kerry: Increase rates on higher-income taxpayers, including 20% capital gains for those taxpayers having more than \$200,000 adjusted gross income and ordinary income treatment of dividends

# Agenda

- ◆ 8:45 – Deal structure: Mike Roberts
- ◆ 9:30 – Price allocation: Neal Fisher
- ◆ 10:15 – Break
- ◆ 10:30 – Mock negotiation

# Benefits

- ◆ Essential background on taxes
- ◆ See it in practice