

# Avoiding Tax on the Sale of Your Business



Converting  
Tax Dollars  
to  
Charitable  
Dollars

L A C C  
LOS ANGELES CITY COLLEGE  
FOUNDATION

When selling a business, you should consider a strategy that maximizes the sales proceeds by reducing the tax consequences of the sale. One way to reduce taxes from the sale of a business is to make a gift to a charity like ours.

## How Can a Gift of Your Business Benefit You?

Are you considering  
selling your business?  
Has your business grown  
significantly in size and  
value over the years?

When you make a gift of a portion of your business interest to us, you can benefit in the following ways:

- You will often avoid substantial capital gains taxes on what you give to charity.
- You will receive a charitable income tax deduction for your gift.
- You can use the tax savings from your charitable gift to offset the tax on the cash you receive from the sale.
- You will preserve wealth, which you can use to reinvest for retirement and other needs.
- You will transfer what would otherwise be "tax dollars" to support our cause.

## What Type of Business Do You Own?

There are several different business and tax structures, including sole proprietorships, partnerships, limited liability companies, Subchapter S corporations (S corps) and Subchapter C corporations (C corps). Please contact us to discuss your type of business and how a charitable gift may benefit you.

## How Does a Gift of a Business Interest Work?

- Prior to entering into an agreement to sell your business, you give a portion of your shares to us.
- A buyer then purchases the shares from you, the other shareholders and our organization.
- You receive cash from the sale of your shares and tax benefits for the gift you made.



*"I knew I had a tax problem. If I sold the business, I would lose much of the value to taxes. I needed enough out of the sale so that my spouse and I could retire comfortably. I transferred \$1 million in stock to charity and received a \$1 million charitable income tax deduction. When the company sold, I was thrilled I had made the gift to charity instead of paying taxes."*

### Other Considerations

- **Life Income Plan** It is possible to sell your business interest tax free through a charitable remainder trust and receive lifetime income. Contact us for a free illustration of this plan.
- **Donor Advised Fund** You may also want to consider transferring your business interest to a donor advised fund (DAF). You can then use your fund like a mini-foundation to make gifts to all of the causes that are important to you. Contact us to learn more.

## Is a Gift of Business Interest Right for You?

If you would like to avoid taxes on the sale of your business and convert tax dollars to charitable dollars, then the gift of a business interest is an excellent option for you to consider.



# Definitions

## Capital Gains Tax

A tax due when you sell a capital asset. The tax is based on the difference between the current value of an asset and your cost basis (often what you paid to acquire the asset).

## Charitable Income Tax Reduction

A tax benefit you receive when making a charitable gift. The deduction reduces the donor's tax liability in the year that the gift was given to the charity. The amount of the deduction is typically equal to the fair market value of the charitable gift.



## May We Help You?

If you have any questions about making a gift of a business interest, please contact us. We would be happy to talk with you and answer any questions that you may have.

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