

# Tax Due Diligence and Structuring

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## RELATED SERVICES

Audit

Tax

Valuation Advisory  
Services

## PROFESSIONALS

Greg Altman

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Tax is a material factor in every transaction, whether a merger, acquisition, disposition, recapitalization, IPO, or formation. For over a decade, HCVT's M & A tax team has developed strategies and delivered solutions to help manage risks and deliver value. Using an integrated team of subject matter professionals in federal, state & local, international, and trusts, our M & A tax team solves complex problems and helps increase the client's bottom line. Once the deal is complete, we help properly report transactions with timely elections and disclosures to help achieve the bargained results. Importantly, we partner with your financial advisors and attorneys to incorporate tax efficiency in documenting the transaction structure and tax exposures, planning for estimated taxes, structuring future investments, estate planning, and donating to charitable organizations.

### Services for Business Owners/Founders:

#### Quality of Tax Analysis – Seller focused

- Identify and help implement an efficient transaction structure that helps maximize capital gains, allows the buyer a step-up in basis, and permits sellers to roll over equity on a pre-tax basis
- Negotiate purchase price allocation for tax efficiency
- Calculate proper tax gross-up and after-tax cash flow
- Planning for transaction cost and employee incentive payments
- Net operating loss analysis
- Monetize built-in loss investments
- Identify and help resolve income tax and non-income tax exposures
- Analyze the validity of S corporation status and help resolve issues such as failure to obtain spousal consent and failure to make proportionate distributions to shareholders
- Evaluate tax terms and conditions of the transaction agreement to help ensure that sellers achieve negotiated and optimal results

### State Tax Planning

- Residency planning
- Planning for state apportionment and nonresident withholding
- Identify and help resolve sales and use tax exposures by applying for voluntary disclosure

### Qualified Small Business Stock (QSBS) and Qualified Opportunity Zone Fund Investment Planning

- Maximize QSBS tax exclusion and verify qualification for QSBS treatment
- Evaluate the qualification and benefits of investing in a Qualified Opportunity Zone Fund for potential tax elimination and deferral

### Trust Planning

- Structure and plan for the use of your lifetime exclusion
- Implement trust structures to help transfer wealth outside your taxable estate

### Planning for Charitable Donations

- Planning for transfers to charity using Donor Advised Funds and Charitable Remainder Trusts

### **Services for Private Equity and Strategic Acquirers:**

#### **Quality of Tax Analysis – Buyer focused**

- Evaluate transaction structures for tax efficiency including C corporation versus flow-through status taking into account the profile of investors (taxable, tax-exempt, foreign)
- Allocate purchase price to help buyer gain tax leverage
- Calculate appropriate tax gross-up to make seller whole on additional taxes associated with a step-up in basis transaction, including value gained by the buyer in a step-up transaction
- Analyze and quantify tax exposures including federal, state, local, sales, use, international, property, and payroll tax
- Review transaction agreement to confirm optimal language is included to protect the buyer from tax exposures and covenants

## HCVT in the News

Tax Changes Likely to Fuel More M & A  
Andy Torosyan, Tax Partner

*Orange County Business Journal*, March 7, 2018