



The Perfect Storm

June 9, 2010

In the past two years, car, truck, heavy equipment, and RV dealers have been weathering the worst economic storm in recent memory. Finally, however, there are some signs that the storm is breaking and better "weather" is on the way.

But there is another storm that's brewing, and for many dealers, given the recent decline in real property and dealership values, historically low interest rates, historically low capital gains tax rates, and threatened legislative changes that would restrict the ability to discount certain sales between related parties after 2010, this may be the year of the "perfect storm" that is, the ideal time to transition your dealership or dealership real estate to the next generation.

- If you have been planning to sell or transfer your dealership or real estate to your family's next generation or to management as part of an overall business succession strategy, 2010 is the year to act.
- The 2010 capital gains tax rates of 15% are scheduled to increase to 20% in 2011, and ordinary income tax rates will rise to as high as 39.6%.
- Dealership and real estate values can be locked in now at historical lows, which means an appreciating asset (the dealership or dealership property) can be removed from your estate.
- For those transferring less than majority interests, 2010 may be the last year to take advantage of minority and marketability discounts between related parties, as legislative changes in 2011 may threaten the ability for families to take advantage of these economic realities for sale or gifting purposes.
- Finally, required IRS interest rates on loans between related parties are below 3% for loans of 9 years or less, which may allow the second generation or management to afford a purchase that was previously out of reach due to cash flow constraints. Low required interest rates and low capital gains rates also mean that a sale over time can occur, with the seller paying a lower tax on the sale.

If you've been considering a transfer of some or all of your dealership or real property as part of your succession plan, now is the time to talk to your Moss Adams Dealer Services Group representative 2010 may be the year of your perfect storm!

For more information, please contact one of our dealer services partners below.

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