WELCOME TO

S.P.A.R.K.

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S.P.A.R.K.
Business Valuations

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Key Takeaways

- What is a business valuation report?
- When do you need a business valuation report?
- What if you want to know the “value” of your business but do not need a business valuation report?

What is a business valuation report?

- 30 – 200+ page report
- Prepared by a valuation professional
- Adheres to professional valuation standards

What is a business valuation report?

- Key Valuation Principles
  - **Principle of Substitution**
    - The principle of substitution states that the value of an asset tends to be determined by the cost of acquiring an equally desirable substitute. In other words, a person will not purchase a particular asset if an equally desirable asset can be purchased at a lower price.
  - **Principle of Future Benefits**
    - The principle of future benefits states that the economic value of an asset reflects anticipated future benefits. An individual who purchases an asset is purchasing it in order to receive the benefits it can provide in the future, not for what it has done in the past. For example, a business that had poor earnings in the past but has positive prospects will be worth more than a business that has been successful in the past but will not be profitable (e.g., bleak prospects) in the future.

What is a business valuation report?

- Important benefits of ownership to consider:
  - Earnings or cash flow from operations (e.g., distributions)
  - Growth in value of equity (e.g., future sale of ownership interest)
  - Liquidation of assets (e.g., cash proceeds)
- Business valuations are typically prepared to estimate **Fair Market Value:**
  - The price at which the ownership interest would change hands between a hypothetical willing buyer and a hypothetical willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell and both parties have reasonable knowledge of relevant facts.
- Accordingly, certain benefits of ownership may not be considered in the fair market value of the business (e.g., “it is the family business”, “it is important to me”, “it provides me with status”).

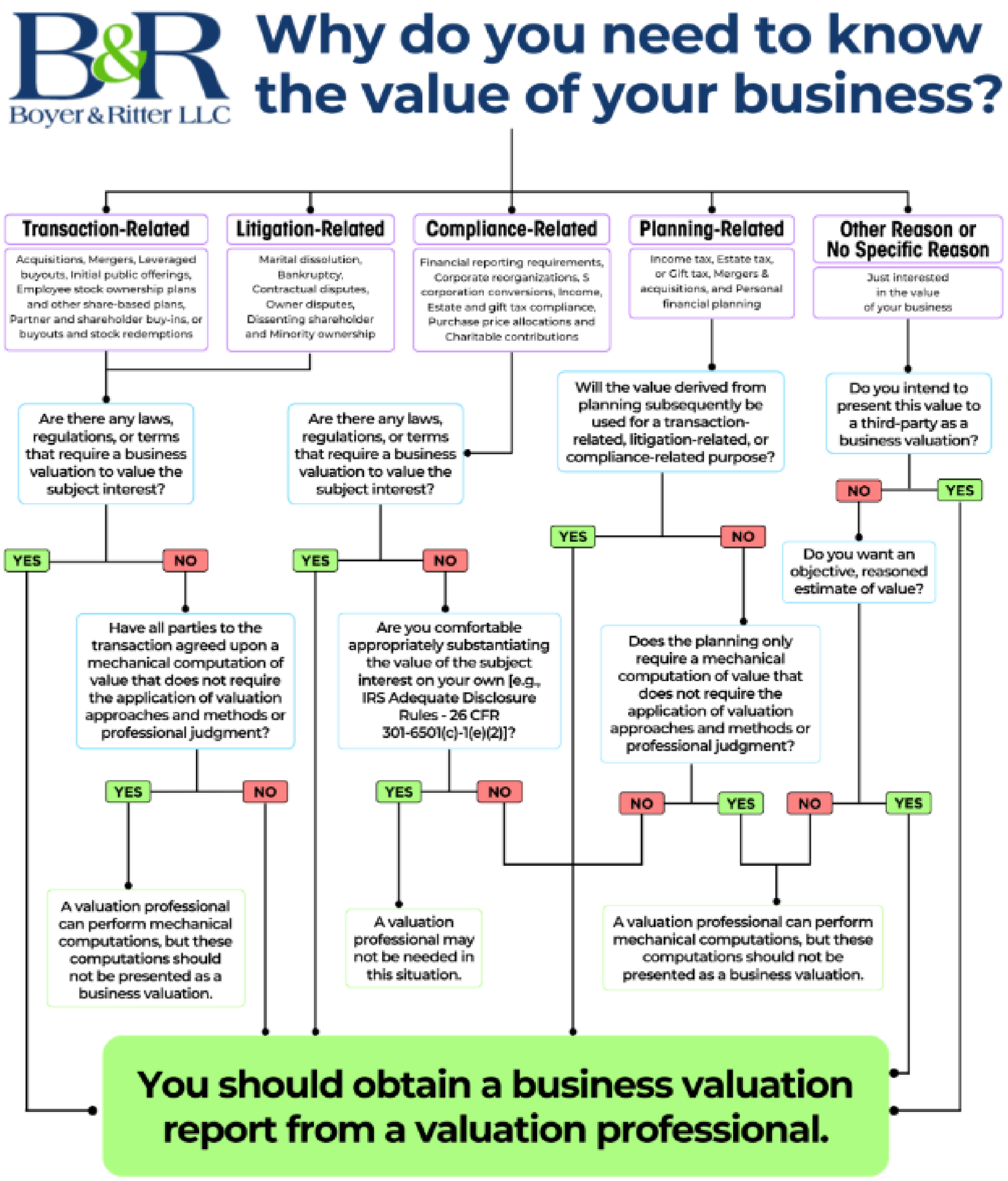
What is a business valuation report?

- Three Approaches
  - **Market-Based Approach**
    - The market-based approach is based on the principle of substitution. This approach is rarely applicable for small, closely-held companies.
  - **Asset-Based Approach**
    - The asset-based approach involves determining the value of the business by focusing on the balance sheet, evaluating the value of the underlying assets and liabilities as a means of determining the value of the business. This approach is typically not appropriate for operating entities.
  - **Income-Based Approach**
    - The income-based approach considers the ongoing earnings or cash flow of the business. This approach is typically the most appropriate approach for valuing small, closely-held, operating companies.
- Rule of Thumb Approaches
  - E.g., 4x multiple of EBITDA; 1x multiple of Revenue
  - Rule of Thumb approaches, on their own, are non-compliant with professional business valuation standards.

When do you need a business valuation report?

https://www.cpabr.com/article-do-you-need-a-professional-business-valuation

*included in your handout!



What if you want to know the "value" of your business but do not need a business valuation report?

- First, carefully consider if you actually need a business valuation report.
- If you do not need a business valuation report, but you still want to know the "value" of your business, thoughtfully consider why you want to know the "value" of your business (examples on next slides).

What if you want to know the "value" of your business but do not need a business valuation report?

- Example: You simply want know the value of your business (e.g., to preliminarily consider whether selling your business).
- Potential Solutions:
  - A business valuation professional could prepare a **Conclusion of Value** business valuation report; however, there may be lower cost alternatives.
  - A business valuation professional could prepare a **Calculation of Value** (still a business valuation report, but less extensive than a Conclusion of Value).
  - A business valuation professional could prepare a **Memorandum** with mechanical computations, but this Memorandum should not be presented as a business valuation.
  - You could have a **discussion** with a business valuation professional and/or other trusted advisors (e.g., your regular accountant).
  - You could do your own **independent research** (use caution).

What if you want to know the "value" of your business but do not need a business valuation report?

- Example: You want to estimate your earnings, cash flow, and/or distributions in future years.
- Potential Solutions:
  - You may not need a business valuation report. Remember, a business valuation report typically considers:
    - Earnings or cash flow from operations (e.g., distributions), **AND**
    - Growth in value of equity (e.g., future sale of ownership interest)
  - If you simply want to estimate your earnings, cash flow, and/or distributions in future years, a business valuation professional and/or other trusted advisors (e.g., your regular accountant) may be able to assist with these projections, but you may not need a business valuation report.

Key Takeaways

- What is a business valuation report?
- When do you need a business valuation report?
- What if you want to know the “value” of your business but do not need a business valuation report?

Questions?

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The One Big Beautiful Bill Act: What It Means for Small Businesses

Understanding new policies affecting small business growth

Presented by:

Benjamin Bostic, CPA

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OBBBA Changes for Small Businesses

Bonus Depreciation and Section 179 Expensing

Permanent 100% Bonus Depreciation

OBBBA allows immediate full cost deduction for qualifying assets placed after January 19, 2025, boosting cash flow.

Increased Section 179 Limits

Section 179 expensing limits rise to $2.5 million with a $4 million phase-out, both adjusted for inflation.

Strategic Tax Planning

Businesses should plan capital purchases and consult tax advisors to maximize deductions and align goals.

Items Affecting Manufacturers

- **Special Depreciation for Manufacturing Real Property:** 100% expensing for certain nonresidential real property used in qualified production activities, with recapture rules.
- **Advanced Manufacturing Investment Credit:** Increased to 35% of qualified investment.

R&D Expensing and Future Provisions

R&D Expensing Benefits

Businesses can fully expense domestic R&E costs in the year incurred, boosting innovation with immediate tax relief.

Foreign R&E Amortization

Foreign research and experimental costs must be amortized over 15 years, differing from domestic expensing rules.

Expiring Provisions

- **Termination of Clean Energy Credits:** Credits for new and used clean vehicles, alternative fuel refueling property, energy efficient home improvements, residential clean energy, and others are terminated earlier than under prior law.

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IRS Reporting Guidance for 2025

Relief for Small Businesses Using Payment Platforms

Increased Reporting Threshold

Starting 2025, Form 1099-K reporting requires over $20,000 in payments and more than 200 transactions.

Relief for Small Businesses

New threshold reduces reporting burden for small and casual business sellers using payment platforms.

Record Keeping Importance

Businesses must maintain accurate transaction records to ensure compliance with reporting requirements.

IRS Reporting Forms and Future Planning

Stability in 2025 Reporting

The IRS maintains current reporting forms like 1099s and W-2s unchanged for the 2025 tax year, providing filing stability.

Upcoming Reporting Changes

New IRS reporting requirements may begin in 2026, focusing on tip income and overtime compensation.

Upcoming Tax Threshold Changes

Starting 2026, Form 1099-MISC/NEC reporting threshold increases to $2,000, indexed for inflation.

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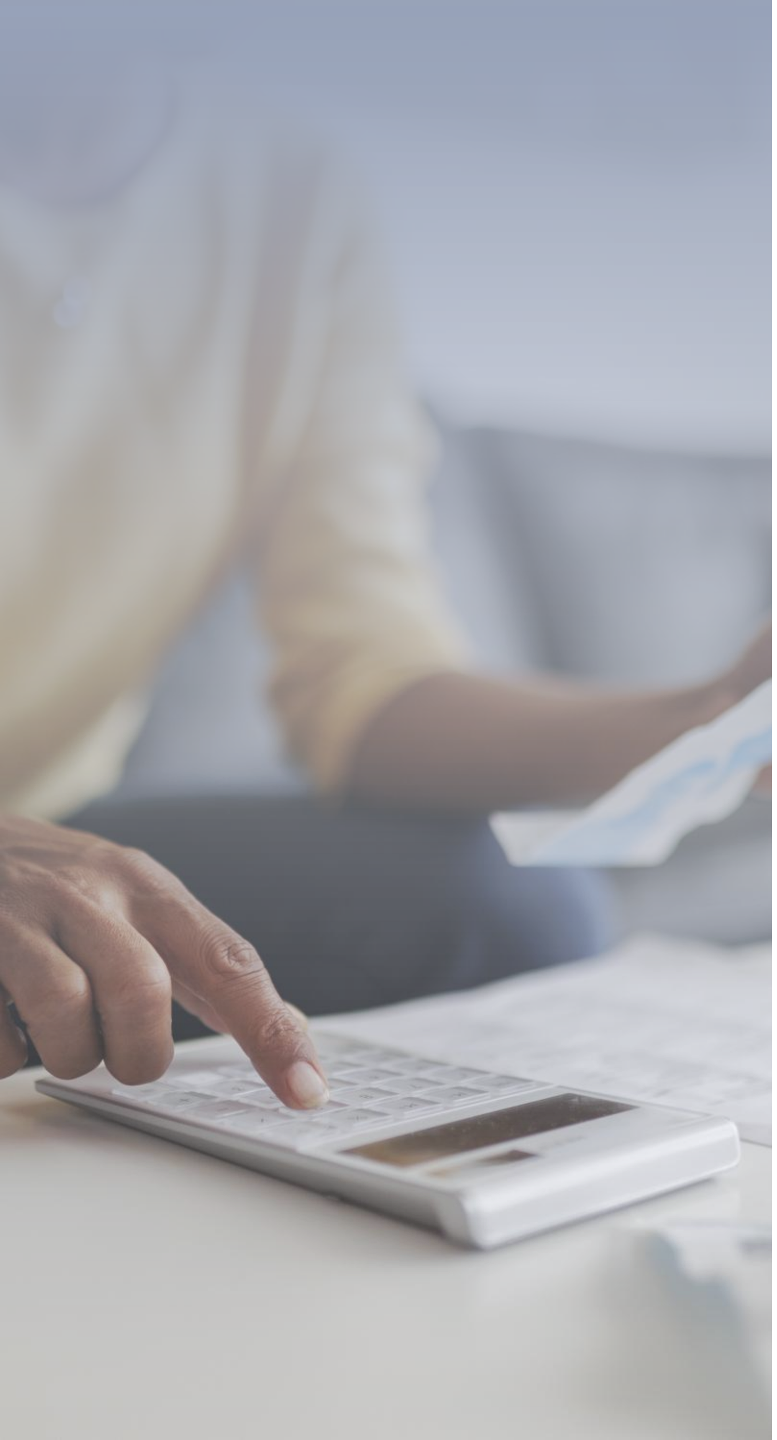
New Deductions for Individuals



Tip Income and Overtime Pay Deductions

Tip Income Deduction

Employees and self-employed can deduct up to $25,000 of tip income per tax return, easing tax burden for service workers. Available for 2025-2028 tax years

Overtime Pay Exclusion

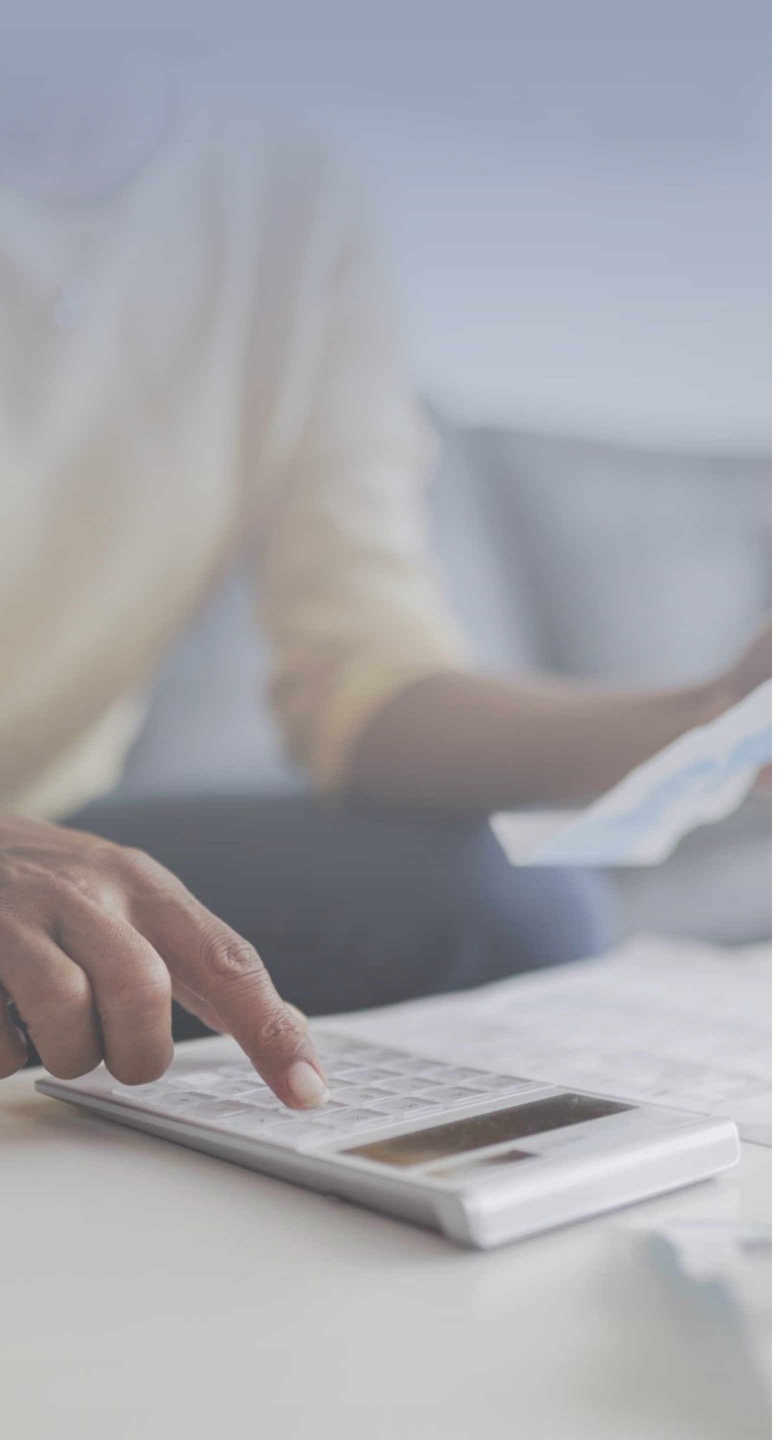
Up to $12,500 or $25,000 for joint filers of overtime pay can be excluded from taxable income under new tax rules. Available for 2025-2028 tax years.

Income Threshold Phase-Out

Deductions gradually phase out at higher income levels, requiring careful tax planning and recordkeeping.

Strategic Tax Planning

Proper documentation and strategic planning are essential to maximize benefits from tip and overtime pay deductions.



Which Tips are Eligible?

- Beverage and food service
- Entertainment and events
- Hospitality and guest services
- Home services
- Personal services
- Personal appearance and wellness
- Recreation and instruction
- Transportation and delivery

***Employees working in a business that qualifies as a SSTB are NOT eligible**

New Deduction for Non-Itemizing Taxpayers

Above-the-Line Deduction

The new deduction allows non-itemizers to deduct up to $1,000 individually or $2,000 jointly for charitable donations.

Benefits for Non-Itemizers

This deduction benefits taxpayers who do not itemize by reducing taxable income while supporting nonprofits.

Encouraging Philanthropy

Permanent deduction encourages wider participation in charitable giving across various income levels.

Documentation Importance

Taxpayers must keep proper records to substantiate qualifying charitable contributions for the deduction.

Other changes for Individuals

- **Personal Exemptions:** Remain suspended, except for a new $6,000 deduction for seniors (age 65+), subject to income phaseouts and Social Security number requirements, through 2028.
- **Child Tax Credit:** The expanded child tax credit is made permanent, increased to $2,200 per child, with inflation adjustments and stricter Social Security number requirements for both taxpayer and child. The refundable portion is also indexed for inflation.
- **State and Local Tax (SALT) Deduction:** The cap is increased to $40,000 ($20,000 for married filing separately) for 2025, with a phase-down for high-income taxpayers, reverting to $10,000 after 2029.
- **Car Loan Interest:** Deduction of up to $10,000/year for interest on loans for new U.S.-assembled passenger vehicles (2025–2028), phased out at higher incomes.

Don’t Forget to File!

New Rule: As of 2025, Pennsylvania businesses and nonprofits are now required to file an **annual report**.

Annual Reporting Resource Center

Missed Your Deadline?

- You can still file late
- Avoid penalties or risk of dissolution

[Annual Reporting Resource Center]

Boyer & Ritter LLC

Annual, Not Decennial

- This is now ANNUAL, replacing the old 10-year filing
- Mark your calendar every year

[Annual Reporting Resource Center]

THANK YOU FOR ATTENDING

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