

EAGA Business Builder

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Today's speaker was Scott Peck - MP Group, Inc



MP Group, Inc, Certified Public Accountants, is a full service accounting firm here in Albuquerque. Today Scott provided quite useful information regarding the various business entity types. Some of the major entity types discussed were C-Corporation; S-Corporation; LLC; Family Partnership. Lets be clear right at the beginning...one does not actually hide assets in a trust. Maybe a little more on that later. Regarding the entities noted: C-Corporations are named that because they are bound Subchapter C of

the IRS rules and regulations. Here are some of the characteristics of a C-Corp: There is no limit to the number of shareholders (often there are millions of shares issued); there are no restrictions on the type of owners (S-Corps, other C-corps, partnerships, foreign companies and even individuals can be shareholders); There can be different types of stocks issued (preferred; common; non-voting); corporate income tax rate is less than the highest personal tax rate; if the entity is classified as a Small Business. here could be a major tax benefit of little or no tax on gains associated with the sale of the stock. There are also disadvantages for C-Corps: Dividends experience double taxation (dividends are not deductible for the corporation, so are paid with after tax funds, and the dividends are taxes as income to the recipient as well); Cost of creation and maintenance can be substantial (initial setup and filing costs, and ongoing costs for quarterly and/or annual regulatory filings and reporting); the corporation could be assessed a tax on "accumulated earnings" if the IRS deems that amount to be excessive (good luck predicting what the IRS would consider to be 'excessive'). C-Corps can be converted to an S-Corp, but that should be done using extreme caution because of the potential for taxes on related assets of the C-Corp at the time of conversion. Speaking of the S-Corps: Their name is derived from the fact that they are bound by Subchapter S of the IRS rules and regulations. Profits of this type of entity flow though to the individual owners; loss of a shareholder does not terminate the corporation; since the profits—and losses—flow through to the individuals, the profits are taxed at the individual's tax rate. Company losses can be used to offset the shareholder's income as well. Some disadvantages of an S-Corp: Distributions must be made to all owners based on their ownership share (cannot selectively distribute funds based on the owners contribution to the operation); creation and maintenance costs can be expensive; non-cash distributions are taxed to the shareholder; there can be only one class of stock; the maximum number of shareholders is 35—and they can only be individuals. The next type of corporation is the LLC. This entity derives its name because they are bound by Subsection LL of the IRS code. Just checking to see if you are paying attention. LLC is actually named Limited Liability Corporation. Income is transferred to members, but need not be based on ownership percentage; costs to form and operate are usually quite less than those of the C and S Corps. Non cash distributions are usually not taxable. Disadvantages include: Distributions are taxed at the recipient's rate and could include additional self employment tax (13.5%); change or transfer of more than 50% of ownership could cause termination of the LLC. The final entity discussed was Family Partnerships. These entities have been around for 40 years and have advantageous allowances for valuing the assets pertinent to the FP. The result of that would be favorable tax calculations when the assets are distributed or transferred to the individual partners. If you are planning on forming a Family Partnership, you should do it more sooner than later. The IRS has issued notice that they will propose change in the regulations so as to limit the valuation of discount appraisals pertinent to Family Partnership assets. The result could substantially reduce the benefit of this type of entity. Scott has a lot more information about these types of business entities, and others as well. If you have an interest in finding out more about the entity types, about the differences between them, or the benefits of each to your particular situation, give Scott a call at 505-340-2015. He knows a heck of a lot about all this stuff and he can explain it in a very understandable way - tailored to your specific situation. No more room here, so ask Scott to tell you whether or not someone can really hide assets in a trust .

Business Leads:

None noted today

Reciprocity:

Thank you to Mike Williams—Builders Source for new kitchen appliance.

Thank you to Manny Ortega—Ortegas Appliance Service for kitchen appliance service.

Thank you to Mark Tobiassen for a BIG LEAD!!

- Nick Minetos—PEO Emperor

Thank you to the following members for getting a PEO Service Proposal from PEO Emperor.

Ken Easley—Empire Builders

David Rodriguez—Computer Solutions Group

Dave Giddens—Giddens, Gatton and Jacobus

Manny Corrales—Vigilant Security Management

Michael Berezniak—Albuquerque Pipe & Pump Supply

- Nick Minetos—PEO Emperor

- ◆ PLEASE NOTE: BECAUSE OF THE HOLIDAY SEASON, WE WILL NOT HAVE TUESDAY MEETINGS ON NOVEMBER 22nd; December 27th and JANUARY 3rd.
- ◆ The second week in December, we will have elections to replace four Board of Directors whose term will expire at the end of the year. Nominations are open for anyone that has been an EAGA member for 1 year or more and is currently in good standing. Time is short...If you are interested in nominating someone, or yourself, contact Robert Biernacki robert@waterquest.com or Mario Hernandez eaged@gmail.com as soon as possible.
- ◆ The EAGA Holiday party will be Saturday, December 3rd at Hotel Albuquerque; 800 Rio Grande Blvd NW . It is a semi-formal event, starting with a social gathering in the Presidential Suite from 5pm to 6pm; it continues in the ballroom with formal cocktail hour from 6 to 7pm. (Participants will be provided with 2 drink tickets each). Dinner will be from 7pm to 8pm. Dancing and door prizes 8:30pm to 11pm. Guests are welcome at \$30 per person. Sign up sheets will be available at our couple of meetings. A block of hotel rooms have been set aside for Saturday night, at the rate of \$99.00 plus tax (single/double occupancy), but if you want one of these rooms, you have to get your reservations in now... Go to the hotel website <http://www.hotelabq.com>. Be sure to enter Group Code 1611EXEC. You can also call for reservations at 505-843-6300 or toll free at 800-237-2133 and ask to be connected to reservations. Tell them you would like to be placed within the EAGA block of rooms.

Badge Board Greeters

Nov 15th Steve Grant—Downtown Historic Bed & Breakfast
Nov 22nd NO MEETING—THANKSGIVING HOLIDAY WEEK
Nov 29th Scott Gorman—Gorman Industries, Inc
Dec 6th
Dec 13th

Upcoming Speakers

Nov 15th Jim Asperger—Crest Mechanical
Nov 22nd NO MEETING—THANKSGIVING HOLIDAY WEEK
Nov 29th Tom McMahon—Sunquest Advertising
Dec 6th Mike Skolnick—Excalibur Realty
Dec 13th Jay Weingardt—Fitness Superstore
Dec 20th Jerry Becker—Steamatic

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