

Five pre-transaction SALT tasks to boost your sales prices

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Business transactions often trigger complex tax considerations for a wide-range of state and local taxes (SALT), including income, franchise, gross receipts, sales, use and property taxes. These SALT-related issues have the potential to cut into the purchase price in ways that may come as a shock to the seller if not prepared upfront.

As a motivated seller, you have an opportunity to complete sell-side due diligence before a buyer is identified, giving you time to clear potential SALT issues early and leverage tax opportunities, justifying a higher sales price.

SALT due diligence

1. Perform a general SALT analysis
2. Complete a Nexus analysis
3. Identify tax opportunities
4. Analyze tax impact
5. Gather supporting documentation

Be SALT-active

SALT issues vary across types of business, legal entities and jurisdictions. Here are some of the more common areas to analyze.

1. *Perform a general SALT analysis* to reduce exposure in sales and use, property, unclaimed property, and payroll taxes.
2. *Complete a nexus analysis* to determine state and local tax nexus based on where your personnel are operating and business has a “presence” or connection to the state. Failure to file necessary SALT returns based on multistate activity creates tax risk, which can be reduced by:
 - Maintaining real-time documentation of where your workforce is traveling;
 - Identifying nexus creating activities in current and prior years; and
 - Filing past-due returns or entering into Voluntary Disclosure Agreements (VDAs) to limit exposure.
3. *Leverage available tax opportunities.* Quantify and document the value of tax credits, net operating loss carryforwards, and other opportunities.
4. *Analyze tax impact of transaction costs.* Minimize potential tax consequences that could lead the seller to ask for more money.
5. Gather supporting *documents* in anticipation of questions to alleviate buy-side concerns.

Takeaway

A preponderance of positive facts—and documentation—around the proactive treatment of SALT issues prior to a sale could significantly boost your sales price and smooth the way for a speedier transaction.

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