

Is Tax Uncertainty Prompting More Small Businesses To Sell in 2012?

By Joseph M. Donegan on July 9th, 2012 Posted in Business, Business Tax, Taxes

The economy remains in a slow state of recovery, small business lending is restricted, and hiring and business growth are stunted. However, it may be uncertainty over future taxes that prompts many small businesses to close their doors in 2012, according to a new analysis.

Reuters recently spoke with several business owners who are struggling to sell their companies before the year's end. The most prominent reason many owners cited for selling revolved around potential tax increases and changes to estate and gift tax law that are expected to occur in 2013. Michael Butler, CEO of privately-owned investment bank Cascadia Capital, said his company is experiencing significantly higher call volumes from small business owners who are interested in selling before the year's end.

“A lot of people are nervous about the tax situation,” Butler told Reuters. “We’re also seeing a lot of businesses that really went through a tough time in the recession and have now kind of bounced back as survivors. People are saying, ‘Hey, the risk-reward is skewed such that I think I had better just try to sell now than go through another cycle.’”

There are several potential tax issues that are driving many small business decisions. Low capital gains rates, which currently sit at 15 percent, are set to expire and may climb to 20 percent in the future. The favorable tax rules that govern estate and gift taxes are also likely to change if the government does not intervene, making many owners contemplate their business planning and succession strategies.

Lastly, uncertainty over how Medicare and healthcare taxes will impact them in the future is another concern business owners share.