

## ALLOCATION OF PURCHASE PRICE TAX IMPLICATIONS – GENERAL GUIDELINES

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### NON-STOCK (“Asset”) SALES

Value Placed On	Seller	Buyer
Leasehold Improvements	If held more than one year, the gains in excess of depreciation previously deducted on the property are long-term capital gain; otherwise ordinary nonpassive income.	Establishes new cost basis, depreciate per IRS established recovery periods (IRS publication 946)
Premise Lease saving (if the lease is at below market rent, it is an intangible asset)	If held for more than one year, is long-term capital gain.	Amortize value over 15 years.
Covenant Not to Compete (include time and distance of covenant)	Ordinary nonpassive income.	Amortize value over 15 years.
Training/Consultation (include schedule of time, hours, etc.)	Ordinary earned income. Income and self-employment taxes due.	Expense out as paid.
Registered Vehicles (do not include in Tangible Personal Property above).	If held more than one year, the gains in excess of depreciation previously deducted on the property are long-term capital gain; otherwise ordinary nonpassive income.	Establishes new cost basis, depreciate per IRS established recovery periods (IRS publication 946).
Liquor License (include license type and number; is an intangible asset).	If held for more than one year, is long-term capital gain.	Amortize value over 15 years.
Customer List	Ordinary income as received.	Amortize value over 15 years.
Goodwill	If held for more than one year, is long-term capital gain.	Amortize value over 15 years.
Buildings and Other Improvements	If held more than one year, the gains in excess of depreciation previously deducted on the property are long-term capital gain; otherwise ordinary nonpassive income.	Establishes new cost basis, depreciate per IRS established recovery periods (IRS publication 946).
Land	If held more than one year is a long-term capital gain; otherwise ordinary nonpassive income.	Land cannot be depreciated, thus no immediate deduction.
Inventory	Ordinary income, to the extent that it is over basis.	Treated as “cost of goods sold” upon sale of products.

## STOCK SALES

<b>Value Placed On</b>	<b>Seller</b>	<b>Buyer</b>
Stock	Capital gains tax rate (currently at 15%) for stock held more than one year.	No write off; must accept assets at current book value (i.e., existing depreciation schedule). Purchase price of the stock is reflected in the buyer stock basis.
Covenant No To Compete	Ordinary nonpassive income.	Amortize value over 15 years.
Training/Consulting Agreement	Ordinary earned income. Income and self-employment taxes due.	Expense out as paid.