

Business Profile

Section Summary

- Business Name: abc
- Business Structure: corporation
- Years in Operation: 4
- Primary Business Industry: manufacturing
- Business Contact Information: jefforrepa@icloud.com
- Business Locations of Operation: Puerto Rico

Business Financial Profile

Section Summary

Assets

- Cash: N/A
- Fixed Assets: N/A
- Inventory: N/A
- Accounts Receivable: N/A
- Other Assets: \$3000000 (Patent)

Liabilities

- Loans: \$2000000
- Accounts Payable: N/A
- Other Debt: N/A

Revenue

- Total Revenue for the Last Fiscal Year: \$1000000
- Estimate Revenue for the Current Fiscal Year: \$5000000

Expense

- Summary of Major Expenses and Amounts:
 - Payroll: \$2500000
 - COGS: \$1500000
- Recent Capital Expenditures and Planned Future Investments: \$400000 vehicles
- Current Tax Rate and Liability: 22%; \$200000
- Use of Any Current Tax Credits, Deductions or Incentives: R&D Credits

Comprehensive Financial Plan

Tax Minimization Strategies Form

Section Summary

- Moving from California to Puerto Rico to minimize tax burdens
- Employing 14 individuals with a payroll of \$400,000, sans benefits or pensions
- Currently not utilizing stock options or involved in business tax audits
- Aim to transition to an Employee Stock Ownership Plan (ESOP) and eventually sell the company

Goals:

- Successfully relocate the business to Puerto Rico for tax minimization
- Develop a sustainable plan for transitioning to an ESOP and company sale

Action Plans:

- Consult with tax advisor Jeff Orr on the tax implications and benefits of moving operations to Puerto Rico.
 - ▶ More Details

Consulting with tax advisor Jeff Orr regarding the tax implications and benefits of moving operations to Puerto Rico is crucial given the unique tax incentives available under Act 20 and Act 22 (now part of Act 60) for businesses and individual investors. These acts offer attractive tax benefits, such as a 4% corporate tax rate under Act 20 for eligible service-exporting businesses and 100% tax exemption on dividends and capital gains for individual investors under Act 22, with the aim of promoting economic development on the island. For a California-based corporation like ABC, transitioning to Puerto Rico could significantly lower the effective corporate tax rate and enhance after-tax profitability. However, this move requires careful planning, especially considering ABC's structure as a corporation with operations in the manufacturing sector. It is also essential to address the 2020 audit issue related to payroll tax underpayment before making such a move. The strategy should involve an in-depth analysis of ABC's eligibility for these incentives, taking into account the business's specific activities, the requirement to employ a minimum number of residents, and the impact on ABC's long-term goal to transition to an ESOP and eventually sell the company.

- Implement key employee life insurance policies as a precursory step towards establishing an ESOP.
 - ▶ More Details

Incorporating key employee life insurance policies is a crucial step for ABC corporation in its journey towards establishing an Employee Stock Ownership Plan (ESOP). This measure not only provides financial security in the event of the untimely death of key individuals but also aids in the smooth operational and ownership transition that an ESOP entails. Given ABC's long-term goals of transitioning to an ESOP and the eventual sale of the company, securing these policies ensures that the company remains financially robust and attractive to potential buyers or investors during and after the transition period. Implementing these policies demands a comprehensive evaluation of the company's key personnel, determining the appropriate coverage amounts, and understanding the tax implications. While the premiums are not tax-deductible, the financial benefits they provide can be substantial, especially in ensuring that there are sufficient funds for buy-sell agreements or stock redemption without burdening the company with excessive tax liabilities. This strategic move aligns with ABC's financial and operational planning, providing a safeguard against unforeseen disruptions in the company's leadership and ownership structure.

- Formulate a detailed timeline and action plan for the transition from California to Puerto Rico, ensuring minimum disruption to current operations.
 - ▶ More Details

Creating a detailed timeline for ABC Corporation's transition from California to Puerto Rico involves multiple strategic steps to ensure minimal operational disruption. Initially, a thorough evaluation of the tax implications and benefits, as outlined in Act 60, is essential for leveraging Puerto Rico's competitive tax

advantages. Following this, a comprehensive plan to shift the company's legal and financial domicile while maintaining regulatory compliance in both jurisdictions is crucial. Given the complexity of moving a manufacturing operation, logistic planning, including the relocation of equipment and inventory and the establishment of new supply chain relationships in Puerto Rico, must be precisely coordinated. Equally important is the human resource aspect, including communicating with current employees about the move, evaluating local labor laws, and initiating the hiring process for additional staff in Puerto Rico as part of the expansion strategy. The timeline should also incorporate a phase for testing operational setups in Puerto Rico before fully phasing out California operations. This strategy supports ABC's short-term goal of transitioning operations to Puerto Rico and its long-term objectives of expansion and enhancing product offerings.

Entity Structure Consulting Form

Section Summary

- A California based C-Corporation with plans to move to Puerto Rico
- Encountered a payroll tax audit for the year 2020 with underpaid taxes
- 100% owned by Robert Cash, with a letter of intent from a Chinese wholesaler valued at \$3,000,000
- Long-term goal to transition to an ESOP, facing export tax regulatory compliance

Goals:

- Restructure the business entity to optimize for Puerto Rico's tax incentives
- Address and resolve previous audit discrepancies to prevent future legal and financial complications

Action Plans:

- Engage with local accountants and attorneys in Puerto Rico to navigate the legal and tax framework efficiently for restructuring.
 - ▶ More Details

Engaging with local accountants and attorneys in Puerto Rico is a strategic move for restructuring that will enable the ABC Corporation to align its operations efficiently with the local legal and tax frameworks. Given the company's intent to transition operations and its entire workforce to Puerto Rico, it is crucial to leverage expertise that understands the intricate tax incentives under Section 60, and the local regulatory environment. This engagement will serve as a critical step in ensuring that the restructuring process is compliant with Puerto Rican laws and maximizes the financial benefits of relocation. A focus on collaborative efforts with local professionals will not only facilitate a smoother transition but will also equip the business with the necessary insights to optimize its tax strategies and legal structuring in a way that supports its long-term goals, including the eventual transition to an ESOP and the sale of the company. This approach emphasizes the importance of tailored advice that addresses the unique aspects of the Puerto Rican market and the specific requirements of the ABC Corporation, including addressing the payroll tax audit from 2020 and ensuring all financial and legal obligations are settled to avoid future complications.

- Review and settle all obligations from the 2020 payroll tax audit to ensure clean records for the transition and future operations.

► More Details

To ensure clean records post the 2020 payroll tax audit, ABC Corporation must engage in meticulous review and settlement of all obligations arising from the audit findings. This step is crucial, not only for maintaining compliance but also for laying a solid foundation for the business's future operations in Puerto Rico. Delving into the specifics, the company, under the guidance of its financial advisor, Jeff Orr, should prioritize reconciling any discrepancies noted during the audit, paying any underpaid taxes, and implementing system improvements to prevent future occurrences. This strategic move will not only rectify past oversight but will significantly streamline the corporation's financial operations as it transitions to a new jurisdiction. Moreover, settling outstanding obligations will ensure that ABC Corporation enters the Puerto Rican market with a clean slate, fostering trust with local authorities and stakeholders and contributing to a seamless business expansion.

- Develop a detailed expansion and growth strategy that aligns with the business's move to Puerto Rico, focusing on leveraging new product lines.

► More Details

Developing a detailed expansion and growth strategy for ABC Corporation, as it moves to Puerto Rico and focuses on leveraging new product lines, requires a comprehensive approach that aligns with the company's short and long-term goals. The strategy should encapsulate market research to identify new product opportunities within the Puerto Rican and broader Caribbean markets, taking into account local consumer behavior and competitive landscape. Considering the company's current strength in manufacturing, leveraging R&D credits and exploring partnerships with local entities will be vital in accelerating product development and expansion. Additionally, aligning this expansion strategy with the company's goals of transitioning to an ESOP and eventual sale necessitates a phased approach that ensures scalability, sustainability, and workforce development. By doubling the staff as planned and ensuring that new employees in Puerto Rico are integrated into the company's culture and values, ABC Corporation can establish a solid foundation that supports growth and maximizes the benefits of its strategic relocation.

State and Local Tax Planning Form

Section Summary

- Planning to move all operations and employees to Puerto Rico
- Currently all property owned is in California, with R&D Credit Carry Forward of \$28,000
- The goal is to expand into Puerto Rico by 2024

Goals:

- Successfully migrate business operations to Puerto Rico without incurring additional state and local tax burdens
- Optimize the use of tax credits and incentives during and after the transition

Action Plans:

- Coordinate the move with financial consultants to leverage Puerto Rico's favorable tax environment maximum while complying with California's exit tax requirements.
- More Details

Coordination with financial consultants is essential for leveraging Puerto Rico's favorable tax environment while complying with California's exit tax requirements. This intricate process begins with a detailed review of the client's business and personal financial situation, focusing on identifying aspects related to the relocation that could trigger California's exit tax, such as the deemed sale of assets. A comprehensive plan will include strategies for minimizing these taxes, such as timing the move to coincide with favorable tax periods or restructuring the business in a way that aligns with both Puerto Rican incentives and California's requirements. Furthermore, careful attention must be given to Puerto Rico's unique tax incentives, such as Act 60, which offers tax benefits for businesses and investors relocating to the island. The advisors will need to ensure that the business structure and operations are optimized to qualify for these incentives, potentially involving modifications to the corporation's setup, the way it conducts business, or its investment strategies. This strategic planning must also consider the PFIC rules and how the restructuring affects U.S. tax obligations, with a particular focus on minimizing estate and gift taxes, as suggested by *Pierre v. Commissioner*.

- Apply the R&D credit carryforward in the most advantageous manner as part of the fiscal strategy during the transition year.
 - ▶ More Details

Applying the R&D credit carryforward as part of the fiscal strategy during the transition year demands a nuanced understanding of both the existing tax obligations and the opportunities available in the new fiscal environment. In this case, the business has an existing R&D credit carryforward that can be utilized to offset federal tax liabilities. To maximize this benefit, it is critical to analyze the company's projected income in the transition year and beyond, to strategically apply the credit where it will have the most significant impact on reducing taxes. This includes a detailed assessment of the tax laws in Puerto Rico and determining if and how these credits could be utilized under the new jurisdiction. The process involves a close collaboration with tax professionals familiar with both U.S. mainland and Puerto Rican tax laws to navigate the complexities of the transition effectively. Ensuring that the application of the R&D credit aligns with the company's overall tax minimization strategy while complying with all regulatory requirements will be key to leveraging this fiscal opportunity to its fullest.

- Establish a comprehensive compliance program to navigate the tax landscape in Puerto Rico effectively and utilize available tax incentives.
 - ▶ More Details

Establishing a comprehensive compliance program to navigate Puerto Rico's tax landscape and utilize available tax incentives requires a multifaceted approach. The initial step involves gaining a deep understanding of the local tax laws and incentives, including the specific requirements and benefits of Act 60, which provides substantial tax advantages for eligible businesses relocating to Puerto Rico. This will require the collaboration of local experts, including accountants and attorneys, to ensure that all aspects of the company's operations are structured to comply with Puerto Rican regulations while maximizing tax benefits. Additionally, a thorough compliance program must address the possibility of audits and ensure that the company maintains all necessary documentation to support its tax positions. Given the business's specific needs, such as its manufacture-based operations and the transition of its entire operations and employees to Puerto Rico, the program will also need to cover compliance with employment laws, export taxes, and any other relevant local regulations. Through careful planning and the implementation of robust compliance

practices, the company can effectively manage its tax liabilities and take full advantage of Puerto Rico's favorable tax environment.

Employee Benefit and Compensation Planning Form

Section Summary

- The business lacks a current employee benefits package, paying all employees a base rate of \$20/hour
- Plans to expand staff by 2x upon moving to Puerto Rico, intending to implement an ESOP by 2024
- Achieve a complete sale by 2030 without current competitors' advantages in compensation

Goals:

- Develop and introduce a competitive benefits package to attract and retain top talent in both California and Puerto Rico
- Successfully implement an ESOP by 2024 as part of a broader strategy to sell the company by 2030

Action Plans:

- Explore the introduction of immediate, meaningful benefits for current and future employees as part of the transition plan to Puerto Rico.
 - ▶ More Details

In preparation for the transition to Puerto Rico, it is critical to introduce immediate, meaningful benefits for current and future employees to ensure both satisfaction and to attract top talent in the competitive labor market. Given the client's lack of current employee benefits and their move to Puerto Rico, a viable starting point could be the establishment of a comprehensive health plan that aligns with Puerto Rico's healthcare system nuances and aspects. Considering the business's operation in the manufacturing industry and recognizing the physical demands of such roles, the health plan should be robust, covering general health, dental, and vision care, and mental health services. The SECURE Acts of 2019 and 2022 emphasize the importance of retirement savings, suggesting the introduction of a qualified retirement plan that caters to both highly and non-highly compensated employees as an additional benefit. This step will not only provide immediate value to the employees but also ensure compliance with recent legislative changes affecting retirement plans. The introduction of cafeteria plans could offer flexibility, allowing employees to choose the benefits most relevant to their needs, fostering a sense of autonomy and appreciation towards the company. These benefits, while serving the immediate needs of the workforce, also pave the way for a smoother transition by establishing a solid foundation of trust and support between the employer and employees.

- Develop a phased strategy for implementing an ESOP by 2024, including the preliminary steps needed in the upcoming fiscal years.
 - ▶ More Details

Developing a phased strategy for implementing an ESOP by 2024 involves careful planning and consideration of both current financial standing and long-term business objectives. The first step in this strategy should involve a comprehensive evaluation of the company's financial health to ensure it is a viable candidate for an ESOP arrangement. Given the company's intention to move operations to Puerto Rico and its subsequent expansion plans, it's essential to assess the impact of such moves on the

company's valuation, which will play a critical role in the ESOP's structure. Preliminary steps over the upcoming fiscal years should include legal consultation to navigate the complexities of setting up an ESOP within a Puerto Rico operational context, especially considering the unique tax considerations under Section 60 of the Puerto Rico tax code. Engaging with an advisor who specializes in ESOPs to tailor the plan's design to the company's specific needs, such as fostering employee ownership while considering the founder's goal to eventually sell the company, will be crucial. Concurrently, developing a communication strategy to educate and engage employees about the benefits and responsibilities of an ESOP will ensure alignment and buy-in, setting a solid foundation for the ESOP's success.

- Conduct a competitive analysis to establish a benefits package that aligns with or exceeds industry standards, tailored to the Puerto Rican expansion.

▶ More Details

To establish a competitive benefits package tailored to the Puerto Rican expansion, conducting a comprehensive competitive analysis is essential. This analysis should focus on identifying the standard benefits offered within the manufacturing industry in Puerto Rico, understanding the expectations of the local workforce, and pinpointing areas where the company can differentiate itself. Given the company's current lack of employee benefits, introducing flexible working hours or remote work options could immediately set the company apart in the local market, appealing to the increasing demand for work-life balance among professionals. Additionally, exploring region-specific benefits, such as disaster preparedness programs or environmental sustainability initiatives, could resonate well with the local community's values and concerns. Aligning the benefits package with or exceeding industry standards involves not only adopting common practices like healthcare and retirement plans but also innovating in areas that directly respond to the employees' lifestyle and cultural priorities. By doing so, the company can position itself as an attractive employer in Puerto Rico, supporting both its expansion efforts and long-term retention strategies.