

Current Long-Term
Capital Gains Tax*
23.8%



Illustrative Long-Term
Capital Gains Tax*
43.4%

Transaction
Value

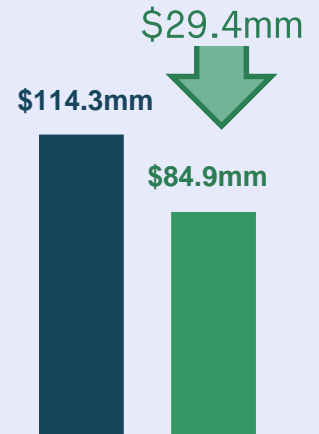
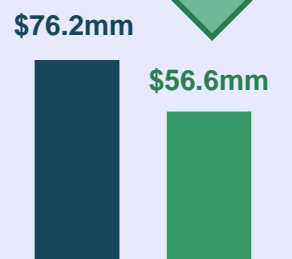
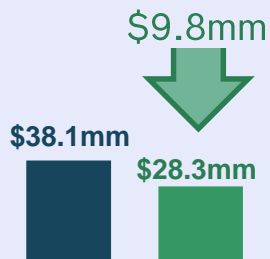
\$50mm

\$100mm

\$150mm

Net
Proceeds

■ Current ■ Illustrative



Impact

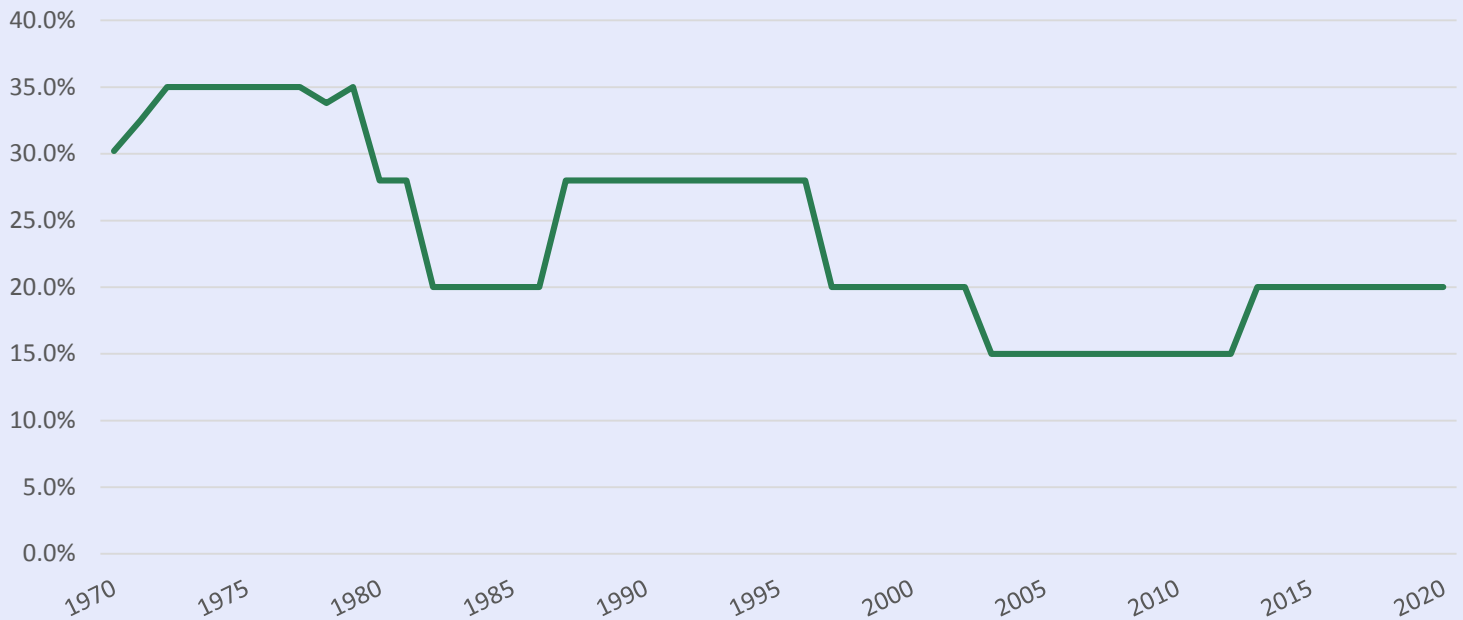
25.7% Reduction in
Net Proceeds

34.6% Percentage valuation
multiples / business must
grow to be made whole

Key Considerations

- Long-term capital gains tax have remained favorable for years, but given the ballooning federal deficit, experts warn this tax rate may change significantly
- We analyzed the impact on net proceeds to selling shareholders based on three transaction values assuming the long-term capital gains tax rate increases to 43.4% from the current rate of 23.8%
- The analysis shows shareholders will receive 25.7% less after taxes with these assumptions. In a \$100mm transaction, there would be an additional \$19.6mm tax leak
- For shareholders contemplating a transaction, our model shows the business OR the valuation multiple would have to grow nearly 35% to be made whole if long-term capital gains tax increased to 43.4%

Maximum Capital Gains Tax Rate – Last 50 Years



Since the late 1990's, investors and business owners have enjoyed a comparatively low federal capital gains tax rate at or below 20% for individuals on long term investments over \$1 million. Historically, increases to the long-term capital gains tax rate were the result of either rectifying loss due to previous tax avoidance, generating new revenues, or a combination of forces. That being said, any changes to the tax codes requires congressional approval and will necessarily not happen overnight but should be used for informed estate planning.

About ClearSight

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