Tax Free Business Profit Plans

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Two-thirds of career was as a Partner or Owner of CPA Practices, one –third of career in Financial Management, New Business Venture Development, and Production Operations Planning - including CFO of an INC. 500 fast growth company (662% growth per year), ranked 119/500 nationwide.

Program Item	Roth 401k ROBS Business	Qualified Small Business Stock
What business can you start or purchase?	Start or buy a business of your own by investing your retirement assets into a C corporation. There is no limitation on what type of business you can have in the corporation entity.	A QSBS can start or buy a business (other than a healthcare, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset is the reputation or skill of one or more of its employees. Also, excluded is farming businesses, businesses involving the production or extraction of products where depletion is allowed, or operating a hotel, motel, restaurant or similar business.
Can you work for this business?	You can become an employee in your own 401(k) owned business, taking a salary as compensation with fringe benefits.	You can become an employee in your own business, taking a salary as compensation with fringe benefits, there are ways to minimize wage taxation.
What are the financial options with ths program?	Have the ability to combine ROBS with INTERNAL 401(k) PRODUCT FACTORING to reduce taxable business profits while converting those profits to your 401(k) plan for tax-free income. Creates a high investment return for the 401(k) - (5% per month or 60% per year)	After holding the original issued stock six months the stock can be sold and rolled over into a another Qualified Small Business Stock.
Can these assets be sheltered from creditors?	Assets are sheltered from creditors within your 401(k) plan. Business is subject to legal action.	Personal stock held is not protected from personal creditors. Business also is subject to legal action.

How are profits taxed?	Annual business profits are required to be taxed as a C Corporation - Form 1120. Curent federal corporate income tax rate is at 21%.	Annual business profits are required to be taxed as a C Corporation - Form 1120. Curent federal corporate income tax rate is at 21%.
When can you personally receive the proceeds from the sale of the business?	Upon the sale of the business, all sales proceeds are tax-free and available at age 59 1/2. If corporate stock is sold. After having held the stock for five years or more as a Roth 401(k).	Upon sale of the business, all sales profits up to the greater of $10 million or 10 times the stock basis if held five years or more are completely tax-free.
What is the main benefit of this program?	This is a great program If you want a business for building tax free retirement savings.	This is a great business opportunity to currently avoiding tax on the sale of a business at any age.
What is the maximum amount of gain allowed with this program?	There is an unlimited amount of gain that can become tax-free within the 401(k) plan.	The maximum amount of gain that is allowed to become tax-free is $10 million or more. (10 time the stock basis).
What is the required investment for this program?	The investment in a ROBS corporation is required to come directly from your 401(k) plan. Others may invest funds in this business also as well as your personal funds.	The investment in a QSBS business can come from either personal cash investment or by rolling over other types of assets as initial investment to purchase a stock.
Is there a maximum amount of assets that can be accumulated in this program?	No, there's no maximum amount of assets stipulated in the ROBS program.	Yes, the maximum amount of assets that can be accumulated with a QSBS program is $50 million. At least 80% of the assets held must be used to conduct the trade or business. Assets must be used in a qualified active business.
Can the program also hold real property?	Yes, the ROBS program can acquire and hold real property but it is advisable not to hold this property within a corporation entity due to double taxation.	Yes, the a QSBS program can acquire real property but that property must be used for the business production of income from operations versus investment. The maximum amount of real investment property that is permitted is 10% of its total assets. Again, due to double taxation is not advisable to hold real estate within a C Corporation.

Can you convert existing business over to utilize this program?	No, IRC section 4975 prohibits the transfer of any personal assets into a ROBS program.	Yes, it is permitted to rollover personal assets into a QSBS program In exchange for the stock. If you have an existing business it can be converted over to begin the five-year holding period for the requirement of the QSBS program.
Can another corporation own the stock in the entity?	No, the investment must be made from the 401(k) plan for yourself. Other partners may invest in the business with whatever entity they choose.	No, it is prohibited from having an investment from a corporation in a QSBS program.
What if an interest is acquired by gift or inheritance?	A gift of C corporation stock would be questionable from a ROBS program because it is technically owned by your 401(k) plan which cannot make gifts from that trust. If inherited, the party will not be required to take a minimum distribution, but will step in the shoes as the owner of the business.	If stock is acquired through gift or inheritance the new owner steps into the shoes of the original party and continues the five-year holding period requirement of the original owner.
What records need to be kept?	Documentation needs to be available to verify that date and financial transactions that verify the source of funds (i.e. qualified rollover funds, regular retirement funds or Roth funds)	Individuals and corporations need to be able to document the date of acquisition, amount, stock basis, for all stock issued. (Canceled checks, wire transactions, stock issue records). It is advisable to have the company certify, 1-that it is a domestic C Corporation, 2-that it has $50 million or less in assets, 3-at least 80% of the company assets are used in active conduct of qualified QSBS business.
What happens if the funds/stock is sold or distributed before the end of the five-year holding period?	If funds are distributed early, you have 60 days to reinvest the money to avoid a 10% penalty prior to attaining age 59 1/2 and if Roth funds, prior to the five-year holding period.	QSBS is required to be held six months before any sale. If it is sold after six months then you have 60 days to reinvest in another QSBS stock program to avoid any tax. See IRC 1045.

How must the C Corporation stock be acquired?	Corporation stock is acquired by transferring funds into the new C Corporation from the 401(k) plan and in return the C Corporation issues the ownership stock to the 401(k) plan as the shareholder of those shares.	Corporation stock Is acquired by the individual shareholder investing either money or other assets (to be valued at fair market value at the time of contribution to the Corporation) and in exchange the corporation issuing stock to the individual. Such stock certificates should be notarized to validate issuance on a particular date for future reference in validating the five-year holding period to the IRS.
Is it possible to reward employees and/or attract investors with this program?	Yes, the C Corporation can issue additional stock to award employees for performance and/or attract investors for additional capital needed by the Corporation.	Yes, the C Corporation can issue additional stock to award employees for performance and/or attract investors for additional capital needed by the Corporation. Again, care must be exercised to have stock certificates notarized to validate issuance on a particular date for future reference in validating the five-year holding period to the IRS.
Does filing a personal tax return as "Married Filing Separately" affected the tax-free profit deduction?	No, since this program falls under the pension plan rules, how you file your individual tax return does not have any effect on the taxability of income generated to the Roth 401(k) plan.	Yes, this program specifically states that if you file your tax return as "Married Filing Separately" the amount of profit that would be exempted from taxation would be cut in half. Therefore, you would only receive 50% of the sales proceeds tax-free.
OVERALL FEATURE	**GREAT PLAN FOR TAX-FREE RETIREMENT INCOME**	**GREAT PLAN FOR TAX-FREE BUSINESS SALE INCOME**

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