

HOW TO PAY ZERO TAXES WHEN YOU SELL YOUR BUSINESS



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LEGALLY, STRATEGICALLY, AND WITH THE RIGHT PLANNING

When most business owners think about selling their company, they focus on one number:

The sale price.

But here's the uncomfortable truth:

Didn't you learn in business and in life that it's not about what you make...it's about what you keep.

I've seen owners negotiate a great deal only to lose **30–65% of it to taxes** because they planned too late or didn't understand their options. In fact, some of these tax planning moves need to be made even BEFORE the LOI is ever generated.

The owners who pay little or in some cases zero taxes on a business sale don't get lucky.

They plan. And have great advisors like those at Exit Stage Left Advisors. Below are **five legitimate strategies** that when used correctly and early enough can dramatically reduce or even eliminate taxes on the sale of a business.

(Not every strategy applies to every owner. The key is knowing which ones could apply to you.)

STRATEGY #1: SECTION 1202 - THE BIGGEST TAX BREAK MOST OWNERS MISS (ESPECIALLY WITH THE NEW ONE BIG BEAUTIFUL BILL ACT)

If your company qualifies as a **Qualified Small Business (QSBS)**, Section 1202 of the tax code may allow you to exclude **up to 100% of the gain** on the sale of your business federally.



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STRATEGY #1 - CONTINUED

This is one of the most powerful wealth-building tools in the tax code, yet many owners structure their companies incorrectly and disqualify themselves without realizing it.

Key Requirements (simplified):

- C-Corporation status
- Original issuance stock
- Held for 5+ years
- Certain industry qualifications

Why it matters:

This can mean *millions* in tax savings but only if planned **before** the sale.

STRATEGY #2: INSTALLMENT SALES THAT SPREAD TAXES OVER TIME OR USING SECTION 453 THROUGH A DEFERRED SALES TRUST

Paying all your taxes in one year often puts you into the **highest tax brackets possible**.

An installment sale allows you to receive proceeds over multiple years, spreading the tax burden and potentially keeping you in lower brackets.

In some cases, this strategy can:

- Reduce capital gains exposure
- Improve after-tax cash flow
- Create better negotiating leverage

Important note:

This must be structured properly and evaluated against buyer risk. This coupled with a family foundation or a charitable remainder trust could put you in a position to pay zero taxes.



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STRATEGY #3: STRATEGIC CHARITABLE PLANNING (NOT JUST WRITING A CHECK)

Charitable planning before a sale is not about generosity it's about **asset positioning**. Didn't you every hear the moral of the story that it is more blessed to give than to receive.

By donating *a portion or all of the business interest* before a sale (not cash afterward), owners can:

- Avoid capital gains on the donated portion
- Receive a charitable deduction
- Reduce overall taxable proceeds
- Get an income stream for lifetime
- Could also set up separate trusts to take care of estate taxes down the road.

This is especially powerful for owners who already plan to give to charity or create a family legacy.

Timing is critical:

Once a deal is signed, this opportunity often disappears.

STRATEGY #4: OPPORTUNITY ZONES & REINVESTMENT STRATEGIES

Some owners don't want to cash out completely but instead they want to **reinvest tax-efficiently**.

Qualified Opportunity Zones (QOZs) allow sellers to defer and in some cases reduce capital gains taxes by reinvesting gains into approved projects.

While not "zero tax" forever, this strategy can:



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STRATEGY #4 - CONTINUED

- Defer taxes for years
- Reduce total tax exposure
- Align with long-term investment goals
- Make zero taxes on the growth of your real estate.

This works best for owners who still want growth after exit.

STRATEGY #5: MOVING TO PUERTO RICO - ONE OF THE ONLY TRUE ZERO-TAX EXIT STRATEGIES

For certain business owners, **changing tax residency** and not the deal can create the largest tax savings of all.

Puerto Rico offers unique tax incentives under Act 60 that can allow qualifying residents to pay:

- **0% federal capital gains tax** on Puerto Rico-sourced gains
- **0% Puerto Rico capital gains tax** on certain post-move appreciation

When structured properly, this can result in **effectively zero capital gains tax** on a business sale.

Key considerations (simplified):

- You must become a **bona fide Puerto Rico resident**
- The timing of the move *before the sale* is critical
- Pre-move vs. post-move appreciation is treated differently
- Lifestyle and compliance requirements must be met

This is not a paper move.

You must actually live there, cut ties with your former state, and follow strict residency rules.

Who this works best for:



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STRATEGY #5 - CONTINUED

- Owners with large capital gains
- Owners flexible on location
- Owners willing to plan 1–2 years in advance

THE BIGGEST MISTAKE OWNERS MAKE WE SEE AT EXIT STAGE LEFT ADVISORS

Trying to solve taxes **after** the deal is negotiated.

By then:

- Your leverage is gone
- Your options are limited
- Your tax bill is largely locked in

The owners who pay the least in taxes start planning **years before** the sale—not weeks before closing.

FINAL THOUGHT

Paying zero or near-zero taxes when you sell your business isn't about tricks or loopholes.

It's about:

- Starting early
- Knowing your options
- Building the right advisory team
- Structuring the deal intentionally

You only get **one exit** from your business.

Make sure you keep as much of it as possible. And most importantly go to www.esladvisors.com to set up a time to meet with us today!



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Exit Stage Left Advisors is a world class exit consulting firm helping small & medium sized business owners sell their business. We are serial entrepreneurs ourselves having exited our own businesses multiple times, and understand the stress, anxiety, and planning that it takes to successfully help an entrepreneur sell their company. Just one cup of coffee with our boutique exit consulting firm, and you'll understand why we are different. For more information on how we turn good into great, go to www.esladvisors.com

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