










Business Overview

RE: Tax Prep & Bookkeeping Company with Non-CPA Owner

Specifications

 Price \$530,000	 Cash Flow \$184,727	 Revenue \$394,913
 Profit Margin 47%	 Intangible Assets Outstanding reputation and customer loyalty	 Reason for Sale Retirement
 Location Under 30 minutes east of central Omaha	 Employees 3 FT, 2 PT	 Service Area Eastern NE & Western IA



SUMMARY OF THE BUSINESS –

Add **\$184,000 in profit** to your operation as tax season approaches with this tax prep & bookkeeping company currently earning the non-CPA owner a **47% margin**. Nearly 200 clients engage in regular payroll and accounting services, and **7,356** federal and state taxes were filed in 2016. Of these, **92%** were individual returns, with many also filing for small businesses, farms and rental properties.

While most clients are located, or have been located, in Western Iowa, an increasing number of customers are coming from the Omaha metro based on a fabulous word-of-mouth reputation. Operating full-time out of its

current 2,000-sq. ft. office since 2005, 3 full-time employees work on payroll, accounting and income tax prep. Assisting during tax season are an additional 2 part-time employees working in reception and tax prep.

As the business has grown by reputation, a buyer could grow the business with advertising by signage, social media and promotions. The current owner has not raised fees, and does not charge for consultations, which a new buyer could consider, as well as adding audit services.

Business Highlights

- Years in Business: 47
- Location: Under 30 minutes east of central Omaha
- Service Area: Eastern NE & Western IA – an increasing number of clients are coming from the Omaha metro
- Number of Clients: Weekly & monthly payroll services – 167; Monthly accounting – 30
- 2016 Tax Returns Filed: 3,094 Federal, 2,525 Iowa, 1,541 Nebraska, 196 other states; 92% individual tax returns with 50% of those **also** filing business returns
- Reason for Selling: Retirement
- Employees: 3 FT – payroll, accounting, income tax prep; 2 PT – income tax prep, reception
- Seller Training Period: Through April 2018 – transition during tax time included in price
- Growth Opportunities: Advertise – business has grown by word of mouth, but would grow more with advertising; increase fees; add audit services; charge for consultations (currently free); investment advice (with the proper license); QuickBooks consulting
- Current Owner's Responsibilities: Manage employees, some tax preparation, accounting review

Financial Highlights

- List Price: \$530,000
- Gross Sales
 - 2016 - \$394,913
 - 2015 - \$374,605
 - 2014 - \$369,522
- 2016 Cash Flow: \$184,727*
- YOY Growth: Business grew by 5.4% between 2015 and 2016 with no advertising
- Profit Margin: 47%
- Assets Included in Purchase: \$27,500

- Equipment – 6 computers, printers, scanners, server, copier and 2017 prepaid tax software and forms
- Intangible Assets: Outstanding reputation and customer loyalty

***80% of profit is earned during a 3-month period**

Services

Accounting

- General ledger & financial statement preparation
- Bookkeeping
 - Monthly, quarterly and annually
- Accounting system setup for new businesses
- Computerized payroll services
- Business tax return preparation
 - Sales & use
 - Business property

**please note the personal financial planning is not provided, but could be added by a new owner*

Tax Services

- Payroll
 - Development of payroll systems
 - Check preparation
 - All phases of payroll and related tax process
 - Prep of all federal and state payroll tax returns and W-2's
- Sales tax
 - Compilation of information and prep of sales tax returns
- Tax planning
- Tax preparation
 - Individuals, corporations, partnerships, trusts, estates, and non-profits
 - Preparation for every state required tax returns

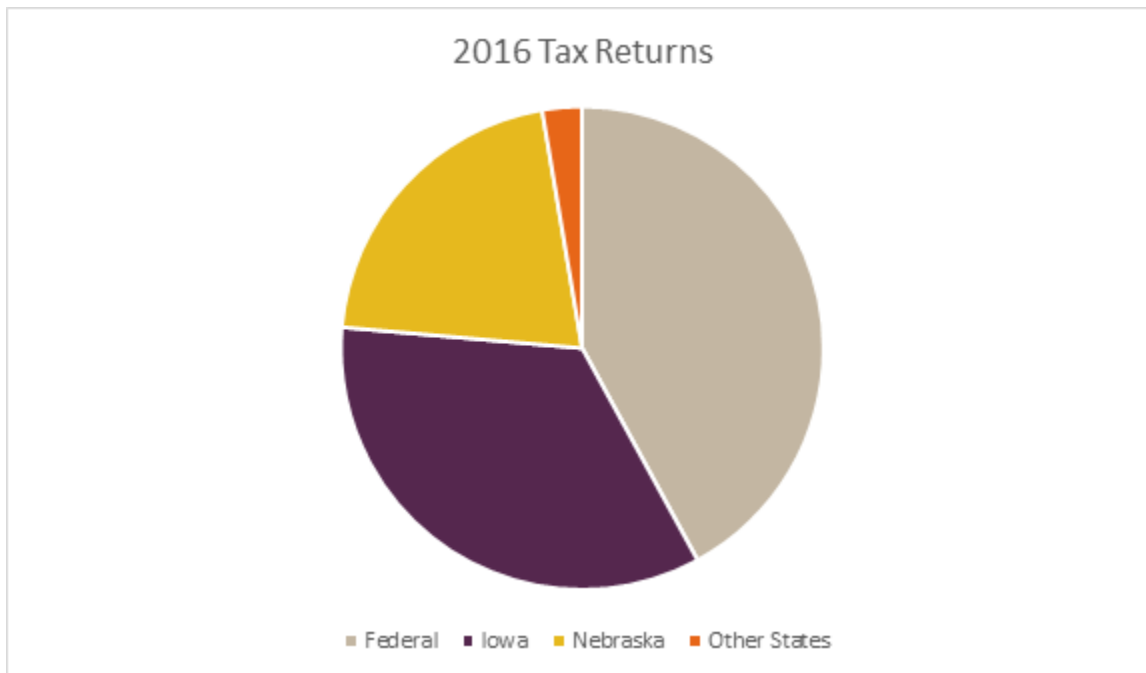
Consulting

- Assistance in choosing business entity forms for new businesses
- Determine the most advantageous form for a company

Fees for services have a wide range depending on client size and needs. However, tax filing fees average around \$120.

Client Stats and Demographics

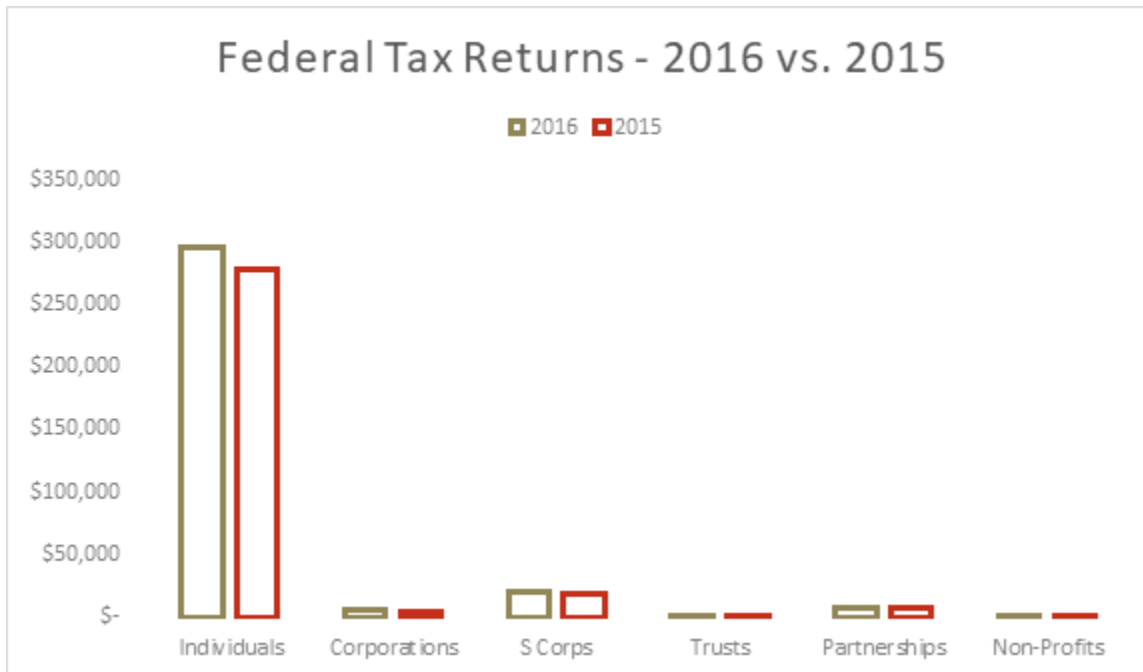
- The typical client is a small business owner filing both individual and business returns
- 92% of returns are individual returns, with half of those **also** filing for small businesses
- 84% of revenue is earned through filing for small businesses, farms and rental properties
- 20% of clients do not meet face-to-face, and submit documents electronically



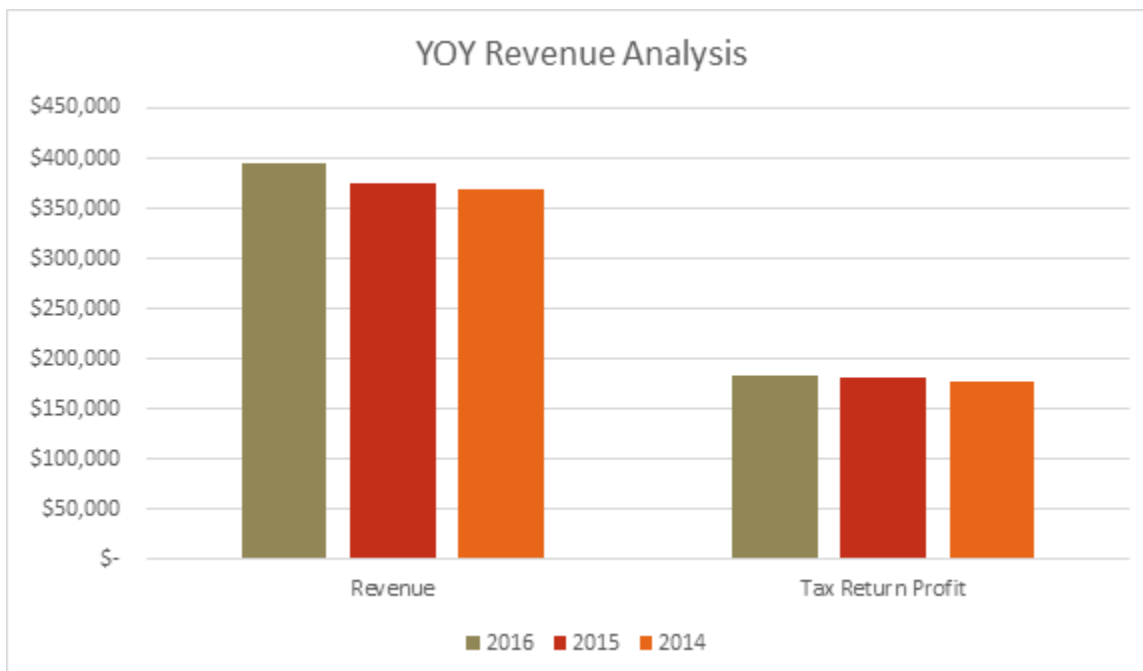
While the majority of clients are in Western Iowa, many new clients are coming from Nebraska and the Omaha metro area. Some clients own property in both states, as well as many others.

- Weekly or bi-weekly payroll services provided for 37 clients
- 130 monthly or quarterly payroll tax or sales tax returns provided for small employers
- Accounting services for 30 clients
- 16% of revenue comes from payroll services

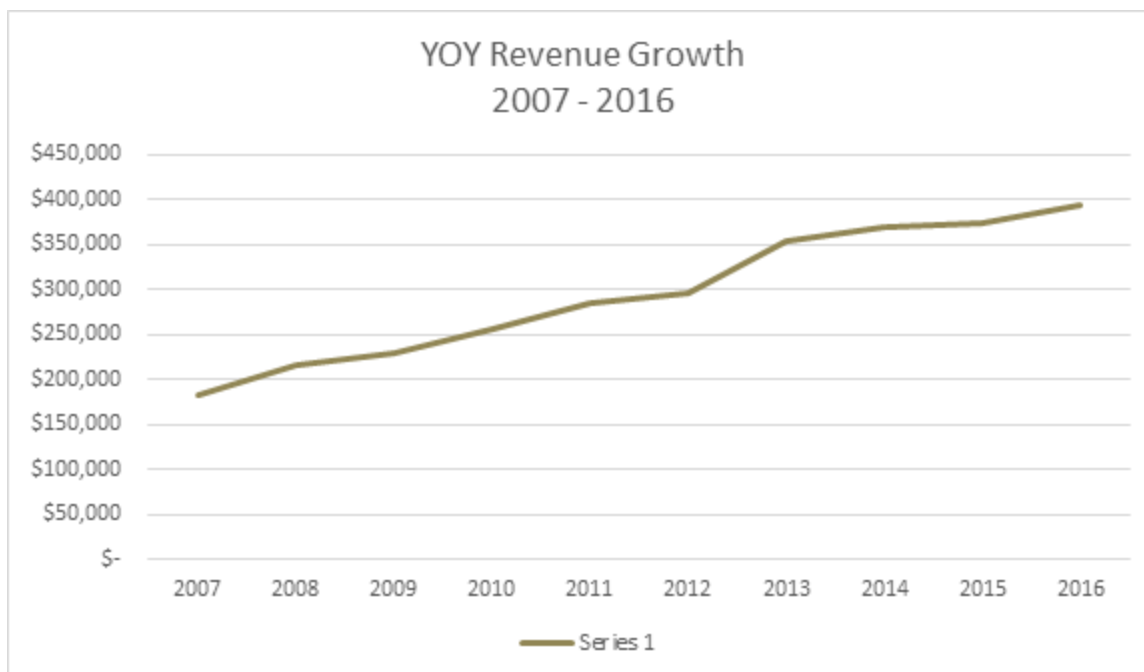
Sales Analysis



- Tax return numbers have increased for all filing entities, with the company growing solely by word of mouth
- Individual tax returns in 2015 numbered at 2,751
- In 2016, those numbers increased to 2,866 individual returns, a 4% increase



- Between 2014 and 2016, revenue increased by 6.4%
- Tax return profits grew 2.68% during the same period



- Over 9 years, revenue has grown by 53.8%
- Average year-over-year growth is 8%

Employees

- 3 FT employees
 - Employee 1 – accounting, payroll and reception duties as needed
 - Employee 2 – income tax preparation, accounting and payroll
 - Employee 3 – accounting, payroll and reception duties as needed
- 2 PT employees
 - Employee 4 – income tax preparation and reception duties
 - Employee 5 – income tax preparation and reception duties

Part-time employees work mostly during January – April for tax season

In addition to the above employees, there are 2 very part-time receptionists that put in hours during tax season. In 2016, their combined pay was \$754 for 75 total hours.

Growth Opportunities

- Advertise

- Current growth is achieved by word of mouth only, and the seller does not actively market or advertise the business
- Introducing signage, promotions and some social media presence would help
- A buyer could also target Facebook in the ramp up to and during tax season to gain visibility and more clients
- Add audit services
 - A CPA buying this company could add auditing as an additional revenue stream
 - The current owner does not provide this option but feels it is a great way to go
- Increase fees
 - This has not been done by the owner, but should be considered by a buyer looking to inject more cash flow after a suitable period of client integration
- Add fees for consulting or tax planning
 - These services are currently free, but a fee could be added for some marginal growth
- QuickBooks consulting
 - The current owner has chosen not to consult on QuickBooks as he has not been in favor of QuickBooks
 - This is currently referred to an outside person, but bringing this in house would assist in profits and provide clients with more services
- Investment advice
- With the right licensing, this would be a great asset to the business as the majority of investors rely on good advice to create wealth

Cash Flow Analysis

Description of Financial Statement	Tax Return	Tax Return	Tax Return	Notes
	2016	2015	2014	
GROSS SALES	\$394,913	\$374,605	\$369,522	
Net Income Shown on Financial Statement	\$182,492	\$181,157	\$177,599	
ADDBACKS				
Compensation to Owner	\$0	\$0	\$0	<i>Sole-proprietorship - distributions only</i>
Depreciation	\$4,019	\$6,918	\$12,494	<i>Non-cash item</i>
Non-Business Telephone	\$973	\$945	\$697	<i>Personal cell phone payments</i>
Travel	\$496	\$1,523	\$4,523	<i>Personal expenses</i>
Meals & Entertainment	\$2,044	\$2,207	\$1,907	<i>Personal expenses</i>
Fuel & Oil	\$2,360	\$2,646	\$2,689	<i>50% personal fuel & oil, plus insurance at \$77.40/mo</i>
Rent	\$-14,500	\$-12,000	\$-12,000	<i>\$1,500/mo at \$18,000/year</i>
Repairs	\$6,843	\$1,224	\$3,236	<i>Personal expenses</i>
TOTAL ADDBACKS	\$2,235	\$3,463	\$13,546	
Seller's Cash Flow = Total Addbacks + Net Income	\$184,727	\$184,620	\$191,145	

Profit Margin 46.78 % 49.28 % 51.73 %

- 47% profit margin in 2016
- 5.4% increase in sales between 2015 and 2016 with no advertising

Valuation Details

The Firm Business Brokerage used a Cash Flow Valuation methodology to determine the Purchase Price of the business. The formula used is as follows:

$$\text{Cash Flow} \times \text{Multiplier} = \text{Price}$$

Cash Flow is the sum of net income plus any owner perks and non-onward going expenses.

Multiplier is a prescribed number between 1 and 5 determined by a 100-point, 20-question rating system used to determine the business valuation. The average multiplier is 3.

The Cash Flow for 2016 is \$184,727, and the prescribed multiplier is 2.9.

With this information, the computation result as follows:

$$\$184,727 \times 2.9 = \$535,708$$

The List Price for the business is set at **\$530,000**.

To receive a full financial package and specific information regarding this business:

1. Complete the Qualified Buyer Documents (Non-Disclosure Agreement and Buyer Questionnaire) [on our website](#) or print, scan and return the attachments to info@TheFirmB2B.com
2. Call The Firm Business Brokerage at 402.998.5288 to schedule an appointment or conference call with a Broker.

The Firm currently has over 90 cash flowing businesses available. If you find that this is not a fit for you, please let us know and we would be happy to provide you with other opportunities.

The Firm makes no warranties or representation in consideration to the information provided above. All communication regarding this business must occur directly with The Firm Brokerage, LLC.