**Scenario**

You are working as an accountant at a mid-size CPA firm. One of your clients is Bob Jones.

Bob’s personal information is as follows:

DOB: October 10, 1952

SSN: 444-00-4444

Marital Status: Single

Home Address: 5100 Lakeshore Drive, Pensacola, FL 32502

Bob has a very successful used car business located at 210 Ocean View Drive in Pensacola, Florida. Last year, you filed a Schedule C for Bob that had $1,200,000 in taxable income. The business will have an income growth rate of 10% per year over the next several years. Bob’s personal wealth, including investments in land, stocks, and bonds, is about $14,000,000. Last year, he reported interest income of $20,000 and dividend income of $6,000. The $14,000,000 includes land worth $9,000,000 that Bob bought in 1966 for $450,000. The stocks and bonds have a tax basis of $1,200,000 and they are currently worth $5,000,000. All of the investments have been owned for more than a year. In addition to his investments, Bob paid $140,000 for his home in 1972 and it is now worth $600,000.

The used car business is currently valued at $53,000,000 including the land and building, which are worth $41,000,000. Bob’s tax basis in the land and building is $2,000,000 and $400,000, respectively. The inventory is worth $12,000,000, with a cost basis of $5,000,000; the remaining assets, which include office furniture and equipment, make up the remainder of the business’s total value. The office furniture and equipment are fully depreciated.

Bob wants your professional advice regarding whether he should continue to operate as a sole proprietor or convert the business to a partnership, an S corporation, or a C corporation. Based on one of the business entities selected, Bob wants to include Mandy—his daughter—in the business as an owner and manager with a possibility of 40% interest. One of his concerns is what would happen to his business after he passes away.

Mandy’s personal tax information is as follows:

Mandy Jones

DOB: June 30, 1990

SSN: 999-99-9999

Marital Status: Single

Home Address: 5990 Langley Road, Pensacola, FL 35203

**MILESTONE THREE**

You will submit a draft of your tax planning proposal and strategic plan recommendation regarding the client’s estate. You must also address the tax effects of selling the business prior to the death of the founder. Specifically, the following critical elements must be addressed:

Memorandum

* Create a detailed tax planning proposal explaining how the client’s family can experience tax savings should the client pass away. Cite relevant governing rules and regulations.
* Illustrate a strategic plan that addresses the need for a will in handling the estate. Detail what happens to the business, land, and investments consistent with tax codes and regulations. Consider extending the plan to address the client’s estate tax, trust, and charitable contributions while minimizing estate tax.
* Recommend estate planning strategies consistent with tax codes and regulations for the purpose of reducing the taxable estate. Be sure to include gifting property to heirs in your response.
* Illustrate the best course of action if the client decides to leave the business in three years. Provide some advice to him should he decide to gift the business to his daughter ortransferthe assetsor common stock to her, depending on the business entity you have selected.
* Illustrate the best course of action if the client wishes to sell the business. Consider the tax consequences with regard to capital gains and losses, ordinary income issues, and selling an existing operating business.

Guidelines for Submission:

Your paper must be submitted as a 2–3-pages Microsoft Word document with double spacing, 12-point Times New Roman font, one-inch margins, and at least three sources cited in APA format.