YOUR BUSINESS BROKERAGE MARKET LETTER

THE BUSINESS OWNER'S BRIEF

From Lisa Smith, Business Broker · Example Business Advisors

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BANK PRIME RATE	10-YEAR TREASURY	3-MONTH TREASURY	30-YEAR MORTGAGE AVG.
7.00%	5.10%	4.32%	7.11%
Base rate for many business loans	▲ Up 1.08 pts from a year earlier	▲ Up 0.44 pts from a year earlier	▲ Up 0.87 pts from a year earlier
November 12, 2026	November 12, 2026	November 12, 2026	November 12, 2026

Market snapshot. Sources: Federal Reserve H.15 (bank prime loan rate); U.S. Treasury yield curve (U.S. Department of the Treasury; Federal Reserve H.15); Freddie Mac Primary Mortgage Market Survey (weekly national averages, not an offer of credit).

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01 SELLER FINANCING: GETTING PAID OVER TIME

Not every buyer can pay the whole price at closing, so some owners agree to take part of it over time. The SBA describes a gradual sale as an option that often benefits buyers who can't afford an outright sale but can finance a long-term payment plan.

What the IRS calls it. An installment sale is a sale of property where you receive at least one payment after the tax year in which the sale occurs. Gain is reported under the installment method unless you elect out.

How it's taxed. Each year you include in income only the part of the gain you receive. The part of a payment that's a return of your basis isn't income, and interest you receive is ordinary income. The sale is reported on Form 6252.

What doesn't qualify. The installment method can't be used for gain on inventory, and any gain on depreciable assets that's ordinary income under the depreciation recapture rules is reported in the year of the sale.

Charge real interest. If the contract doesn't provide for adequate stated interest, part of the principal may be recharacterized as interest for tax purposes. The IRS uses the applicable federal rate to figure it.

Carrying a note means you're still exposed to the business after closing. Talk with your attorney and CPA about security and terms, and call us to see whether seller financing fits your sale.

02 NEW OWNER, NEW EIN? WHEN A SALE CHANGES THE TAX ID

Buying or restructuring a business brings a long checklist. One easy item to miss: whether the business needs a new employer identification number (EIN).

The general rule. The IRS says you generally need a new EIN when you change your entity's ownership or structure. You don't need one just because you change the business name or address.

Sole proprietors. A new EIN is needed if the owner incorporates or forms a partnership. Changing the name or location doesn't.

Partnerships. A new EIN is needed if the partnership incorporates, if someone takes it over to run as a sole proprietor, or if it ends and a new one begins. An ownership change that doesn't end the partnership doesn't call for one.

Corporations and LLCs. A corporation needs one for a new state charter or a merger that creates a new corporation, not for electing S corporation status. An LLC that ends and forms a new corporation or partnership needs one; changing its tax election doesn't.

Getting one. An EIN is free from the IRS and can be issued online in minutes; beware of sites that charge for it. Form a new corporation or LLC with the state first, or the application may be delayed.

If a sale or restructuring is on your calendar, talk to us early. We'll add the tax ID question to the closing checklist with your accountant and attorney.

03 GOODWILL AND NON-COMPETES: THE PART OF THE PRICE YOU CAN'T TOUCH

Much of what a buyer pays for is something you can't touch: your name, your customers, your systems and your promise not to compete with the business you just sold.

The IRS list. Section 197 intangibles include goodwill, going concern value, workforce in place, business books and records, customer-based and supplier-based intangibles, government licenses and permits, a covenant not to compete entered into with the acquisition of a business, and a franchise, trademark or trade name.

Written off over 15 years. The IRS says these intangibles must be amortized over 15 years (180 months).

Where they land on Form 8594. Goodwill and going concern value go in Class VII. Other section 197 intangibles go in Class VI.

Why sellers care. How much of the price is assigned to goodwill, a non-compete or anything else affects the tax result for both sides. Ask your CPA before the agreement is signed.

Planning a sale? Start writing down what makes your business valuable: customer relationships, systems, staff and reputation. We'll help you present it to buyers.

04 WHAT'S MY BUSINESS WORTH? HOW VALUATION WORKS

Ask three people what a business is worth and you may hear three answers. That's normal: the number depends on the method, and the SBA describes several.

From the seller's side. The SBA's guide for owners names three common methods. The income approach looks at projected revenue and accounts for potential risks. The market approach compares your business with similar businesses that recently sold. The assets approach subtracts total liabilities from the total value of all assets.

From the buyer's side. The SBA's guide for buyers adds the capitalized earning approach, which looks at the return the investor expects, and the excess earning method, which separates return on assets from other earnings.

What a lender looks at. The cash flow method is typically used to determine how much of a loan the business's cash flow can support. If the buyer is financing the purchase, that number matters.

Tangible and intangible. The tangible assets method values the business by its tangible assets. The SBA also tells owners to count intangible assets like brand presence, intellectual property, customer information and projected revenue.

Want a realistic sense of where your business stands? Call us, and we'll walk you through how buyers are likely to look at it.

05 SELLING THE BUILDING ALONG WITH THE BUSINESS? KNOW THE 1031 DEADLINES

Many business sales include the building. If you'll reinvest in other property, a like-kind exchange may put off the tax, if the timing is right.

How it works. Under Section 1031, tax on your gain can wait when the money rolls into similar property through a qualifying exchange. The deferred gain is generally taxed when the new property is later sold outside another exchange.

Real estate only. Since 2018, equipment, vehicles, patents and other intangible business assets generally don't qualify. Real property used in a business or held for investment still can, though U.S. property isn't like-kind to foreign property.

Two deadlines. You have 45 days after the sale to identify replacement property in writing, and must receive it within 180 days or by your tax return's due date including extensions, whichever comes first. We'd mark both dates on day one.

Hands off the cash. Taking control of the proceeds before the exchange is complete can make all the gain taxable. A qualified intermediary can hold the money, but not you and, with some exceptions, not anyone who was your broker, accountant or attorney in the two years before the sale.

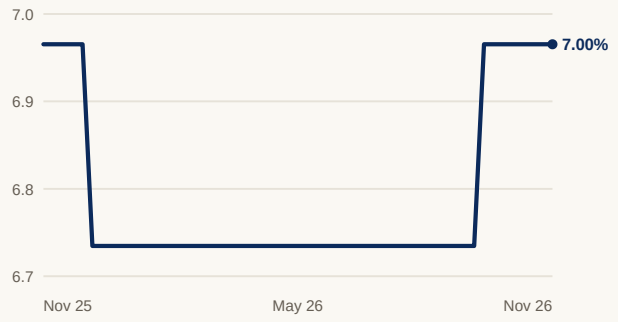
Reporting. The exchange goes on Form 8824 with your return for the year of the transfer. Any cash or non-like-kind property you receive can be taxable.

Selling a business that includes real estate? Bring in your tax adviser early; we'll plan the timeline together.

06 BY THE NUMBERS

The prime rate over the past year

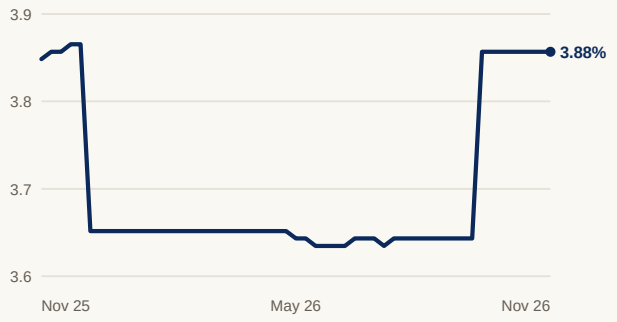
Bank prime loan rate, weekly averages (%)



Federal Reserve Board, H.15 Selected Interest Rates, bank prime loan rate, weekly averages for weeks ending Nov. 12, 2025 to Nov. 11, 2026. The rate posted by a majority of the top 25 U.S.-chartered commercial banks.

The fed funds rate over the past year

Federal funds effective rate, weekly averages (%)



Federal Reserve Board, H.15 Selected Interest Rates, federal funds effective rate, weekly averages for weeks ending Nov. 12, 2025 to Nov. 11, 2026.

Questions about anything in this issue? We'd love to hear from you.

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