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# COVID-19 Tax Update: Federal and State Legislative Developments and Planning Strategies to Consider Now


***As we approach the end of 2020, COVID-19 continues to present significant challenges to people and organizations around the globe. Additional federal COVID-19 legislative relief has been stalled by failed negotiations and it remains uncertain if or when additional aid might emerge. In the meantime, states are working to address tax issues related to work-from-home arrangements and cover significant budget gaps. Below are highlights of recent COVID-19 tax developments, including state tax measures and various tax planning opportunities driven by the current tax landscape.***

# Legislative Developments

## CARES Act Temporarily Extends Favorable Bankruptcy Provisions to Small and Medium-Sized Businesses Seeking to Reorganize

The COVID-19 pandemic has many businesses considering a wide range of options for continuing operations, including restructuring and/or bankruptcy. As part of navigating the restructuring and/or bankruptcy process businesses must consider a host of valuation and tax issues. This article discusses two recent changes to bankruptcy law that include favorable provisions for small and medium-sized businesses seeking a reorganization under Chapter 11 of the U.S. Bankruptcy Code.

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## President Trump Instructs Treasury to Defer Certain Payroll Taxes Through 2020

In response to the economic crisis resulting from the COVID-19 pandemic, President Donald Trump issued a Presidential Memorandum on August 8, 2020, instructing the Treasury Secretary to issue guidance to defer through the end of 2020 the collection of the employee's portion of Social Security payroll tax for employees making under $104,000 a year. Because the memorandum orders a deferral of payroll tax collection, the deferred taxes would still be required to be remitted to the government in 2021 unless further action is taken by Congress. To address this, the memorandum directs the Treasury Secretary to "explore avenues, including legislation to eliminate the obligation to pay the taxes deferred pursuant to the implementation of this memorandum."

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## Long-Awaited Notice Implements President Trump's Payroll Tax Deferral Plan

The Department of Treasury and Internal Revenue Service issued a notice implementing the Presidential Memorandum allowing employers to defer withholding and payment of the employee's portion of the Social Security tax if the employee's biweekly applicable wages are below $4,000 for the pay period. Notice 2020-65 specifies that the deferral applies to applicable wages paid on a pay date occurring during the period beginning September 1, 2020 through December 31, 2020. If an employer defers withholding its employees' Social Security tax during the eligible period, the employer is required to withhold and remit the deferred taxes between January 1, 2021 and April 30, 2021. However, the notice leaves many questions unanswered.

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## California's 2020 Legislative Session Offers Glimpse of Future State Tax Legislation Aimed at Filling Budget Gaps Created by COVID-19

Faced with a record budget shortfall as a result of the economic turmoil created by the COVID-19 pandemic, the California State Legislature adjourned its 2020 legislative session on August 31, 2020 after having enacted the state's 2020–2021 budget, which fully suspends net operating losses (NOLs) and limits the amount of tax credits that may be claimed by large to medium-sized businesses. California's budget, other bills that were proposed but failed to pass during the state's 2020 legislative session, and property tax ballot initiatives before voters in November may offer a preview of tax-hike proposals to come when the state legislature in the Golden State and in many other states convenes in January 2021.

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## Telecommuters Beware of States' Convenience of the Employer Rule

As a result of the COVID-19 pandemic, telecommuting or remote work arrangements have evolved from a growing trend to the norm at many companies. Unfortunately, a minority of states' tax laws are out of sync with the times and subject some telecommuters to double taxation. Federal legislation could temporarily minimize the impact of these provisions.

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### To Help Businesses Survive the COVID-19 Pandemic, States and Cities Are Offering New Incentives and Relief Programs

Several states and cities are offering loans, grants and other incentives to help businesses weather the harsh economic environment created by COVID-19. At the same time, states struggling to contain budget deficits, such as California, are moving to scale back an important business deduction and impose a limit on the amount of credits that may be claimed.

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## Tax Planning Strategies

### Maximizing 2020 Net Operating Losses for Individuals

As a result of the disruption and economic shutdown created by COVID-19 many taxpayers, including individuals and trusts, will have NOLs in 2020. The Coronavirus Aid, Relief, and Economic Security (CARES) Act offers the opportunity for these taxpayers to turn 2020 NOLs into cash refunds. The CARES Act revived the NOL carryback that was previously eliminated by the Tax Cuts and Jobs Act of 2017 (TCJA). For a limited time, 2018, 2019 and 2020 NOLs can be carried back for up to five years.

Individual taxpayers with taxable income during the 2015 - 2019 tax years should consider the potential benefit of maximizing 2020 NOLs to claim a refund from those earlier tax years. It is important to maximize losses during the final months of 2020, because unless Congress extends the CARES Act NOL carryback provision, losses recognized beyond 2020 may only be carried forward (and are subject to an 80% limitation for tax years beginning after December 31, 2020).

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### Maximizing 2020 Net Operating Losses for Businesses

As a result of the disruption and economic shutdown created by COVID-19 many corporate taxpayers will have NOLs in 2020. The CARES Act offers the opportunity for these taxpayers to turn 2020 NOLs into cash refunds. The CARES Act revived the NOL carryback that was previously eliminated by the TCJA. For a limited time, 2018, 2019 and 2020 NOLs can be carried back for up to five years.

Corporate taxpayers with taxable income during the 2015–2019 tax years should consider the potential benefit of maximizing 2020 NOLs to claim a refund from those earlier tax years. It is important to accelerate or otherwise maximize losses during the final months of 2020, because unless Congress extends the CARES Act NOL carryback provision, losses recognized beyond 2020 may only be carried forward (and NOL carryforwards from taxable years beginning after 2017 are subject to an 80% limitation when carried to tax years beginning after December 31, 2020).

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### Individuals and Trusts May Want to Accelerate Income in Light of Potential Tax Rate Increases

Traditional year-end tax planning often involves deferring income and accelerating deductions to minimize one’s total tax liability. However, there are several reasons individual taxpayers and trusts may want to consider reverse tax planning to accelerate income and defer deductions this year. There are signs on the tax horizon that rate increases may be on the way, including the country’s response to the COVID-19 pandemic that has created budgetary pressures and proposed tax increases that may occur following the election.

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### Tax Relief Under CARES Act and TCJA for Real Estate Businesses Impacted by COVID-19 and the Economic Downturn

The COVID-19 pandemic and the resulting economic hardships it has triggered along with storms, wildfires, and civil unrest, have made 2020 a particularly difficult year for the real estate industry. It is more important than ever for real estate businesses to identify and pursue opportunities to shore up their bottom line and increase cash flow. Tax relief is available for the real estate industry under the CARES Act as well as the TCJA.

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## Deductions for Home Office Expenses May Be Widely Available for Lawyers, Fund Managers, and Other Self-Employed Due to COVID-19 Pandemic

With millions of Americans working from home in response to the COVID-19 pandemic, many taxpayers may be considering if they are eligible for a home office tax deduction. As a result of changes made by the TCJA, for tax years 2018 through 2025, employees cannot claim a home office deduction, even if compelled to work at home. The home office deduction is only available to self-employed persons or independent contractors who use their home “regularly and exclusively” for business during the tax year. Businesses may reimburse employees for legitimate job-related expenses, including home offices that meet the requirements for the home office deduction.

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## Maximizing Cash Savings by Pairing the R&D Payroll Tax Credit with COVID-19 Payroll Tax Relief

Qualified businesses that are eligible to claim the research and development (R&D) credit to offset an employer’s FICA payroll taxes may be able to increase their cash benefit by combining the payroll tax credit with recent COVID-19 payroll tax relief incentives. Qualified taxpayers can claim both the R&D payroll tax credit and the credits available under the Families First Coronavirus Response Act (FFCRA) and the employee retention credit under CARES Act. Unlike the R&D credit payroll offset, which carries forward to future quarters, the employee retention and FFCRA credits in excess of the employer’s FICA contribution result in cash refunds to the employer.

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## Work From Home Arrangements Arising From the COVID-19 Pandemic Could Trigger New or Additional State and Local Tax Liabilities

To comply with shelter-in-place orders arising from the COVID-19 pandemic, many companies implemented work from home arrangements with employees who, in some cases, live in a state other than where the company has a taxable presence. The presence of even a single employee in a state could trigger an employer’s obligation to collect a state’s income, sales or withholding taxes. While some states have indicated that they will temporarily not enforce tax obligations arising from work from home arrangements during the COVID-19 pandemic, it is uncertain how long this grace period will last. Given the economic crisis the states are experiencing, it seems likely that at some point they may pursue enforcing potential tax obligations arising from work from home arrangements. This tax release explains the current situation and suggests actions companies can take now to identify and potentially mitigate potential new state and local tax filing obligations and liabilities.

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## Handle With Care: Navigating the State Tax Pitfalls for Corporate Taxpayers Claiming NOL Deductions Under the CARES Act

The temporarily expanded availability of NOL under the CARES Act comes as welcome news to businesses in the wake of the economic hardships resulting from the COVID-19 pandemic. How claiming this federal tax relief will impact state tax returns depends on a variety of factors and could, in some cases, trigger additional filing requirements.

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Please see the Andersen COVID-19 Tax Relief Developments page for the latest tax guidance related to the COVID-19 pandemic. If you have questions, please contact your Andersen advisor.

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# Preparing for Exit: Considerations to Make Your Transaction Less Taxing

***The U.S. deal market slowed to a trickle in April, primarily as a result of the onset of COVID-19 restrictions that took hold of the economy and significantly impacted businesses across the world. Consequently, there has been a drastic decrease in middle market buy-out transactions, dropping by approximately 20% in the three quarters of 2020, as compared to the prior year (according to Pitchbook's Q3 2020 US PE Breakdown). However, buy-out activity is recovering with the volume of***

***sales of closely held or owner-operated businesses trending up, though at the same time valuation uncertainties and buyer risk mitigation are translating into more complex legal and economic structures. As a result, acquisitions today require more robust buyer due diligence programs, even for relatively small or simple deals.***

## Taking Your Organization to Market

Taking a company to market has always been a complex process. Sellers typically involve financial advisors, pre-sale quality of earnings analyses, and early advice from legal counsel. Significant resources are spent on the front-end preparing to go to market, with tax often overlooked, even the tax cost of the transaction significantly impacts the net transaction proceeds. Organizations preparing for a sale transaction should undertake certain tax specific exercises, including:

1. Develop understanding of current tax structures and how a buyer would structure a transaction.
2. Model estimated after-tax cash to illustrate the incremental tax cost of different buy-out structures; and
3. Undertake a tax due diligence readiness assessment to prepare for a buyer's due diligence process.

## Understanding Transaction Structure

Understanding the buy-out implications of the current structure, and consequently how a buyer might approach an acquisition, is essential before entertaining offers. Having this understanding in advance better positions sellers to evaluate offers which in turn allows a seller to optimally consider after-tax implications. These days, buyers typically approach an acquisition expecting to purchase the business in a structure that provides a tax basis step-up in the assets. Moreover, in the current economic environment, there may be increased valuation uncertainty which leads to an increased likelihood of "roll-over" equity, whereby a buyer acquires control while sellers retain a significant interest in the business. Finally, sellers may have other business objectives such as employee compensation, vesting of an existing equity incentive program, generational wealth transfer, or philanthropic objectives that add more complexity to the transaction. Performing a holistic tax analysis, considering all implications in advance, is a best practice to make informed decisions about the transaction and protect the after-tax value to all stakeholders.

## Modeling After-Tax Proceeds

From a seller perspective, it is all about the after-tax cash proceeds. Sellers often prepare general and unsophisticated estimates of after-tax returns to compare equity and asset sales. In most situations, complexities of the deal render simplified models ineffective at capturing the nuances, which can materially impact after-tax returns. The most overlooked aspect is the impact of state taxes, where a sale of equity or a sale of assets creates significant after-tax differences. Roll-over equity is another key area with significant nuance because roll-over structures are more complex and the planning for tax deferral can be misunderstood or miscalculated, potentially leading to surprise results post-closing. Furthermore, existing equity compensation plans or a desire to reward key employees with participation in the transaction also introduce significant complexity and misunderstanding. Finally, buyers are often willing to compensate sellers for all or part of the incremental tax cost of a transaction structure because the value of a step-up in tax basis exceeds the incremental tax cost, often called a "tax gross-up" or "tax equalization payment." Without robust quantitative analysis, sellers can find themselves in a poor bargaining position and may forego additional after-tax value.

## Preparing for Tax Due Diligence

The readiness of a seller to undergo the buyer's tax due diligence is another area often overlooked in preparing for a transaction. A closely held organization may have made calculated business decisions regarding tax risk or exposure, or maybe it overlooked tax aspects that it perceived to be immaterial. Though these risks may have been acceptable to the stakeholders of the business, buyers have a lower tolerance for sharing or assuming tax risk. Significant tax risks or uncertainties identified in buyer tax due diligence can negatively impact the deal process, potentially eroding value.

Of common identifiable tax risks, the most prevalent areas of exposure are state sales, use, and income taxes. Many organizations oversimplify tax compliance burdens or are otherwise not fully aware of the expanding reach of state taxation. S corporations are another common area of concern, with particular attention to whether the corporation has done anything to jeopardize its status as an S corporation, including disproportionate distributions, equity compensation arrangements, or ineffective or inaccurate S corporation elections (e.g., spousal consent). Lastly, missed foreign reporting requirements, foreign indirect taxes (e.g., VAT), and inadequate or inappropriate transfer pricing policies may also be significant areas of concern, as many domestic businesses with global operations often have a gap in global compliance, presenting buy-side due diligence issues.

Undertaking an assessment of potential tax risks and putting processes in place to mitigate such risks, or at least stem compounding problems before the due diligence process begins, positions sellers to proactively address the risks on sellers' terms, rather than reacting to buyer-identified issues.

## The Takeaway

Organizations spend considerable resources improving the business in preparation for an exit event and taxes are generally the single largest seller cost of exiting a business. Proper pre-sale preparation in the tax function can lead to better outcomes for stakeholders and adds measurable after-tax value, making the sale process and satisfaction of a liquidity event less taxing.

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# How COVID-19 Will Impact the R&D Tax Credit in 2020

***As a result of changes caused by the COVID-19 pandemic, 2020 research (R&D) tax credits may look very different for some companies, and may also present new opportunities to generate much needed cash. Companies that have never claimed the R&D tax credit should take a closer look at eligibility and those who have previously claimed credits will need to make sure they understand how the COVID-19 pandemic may impact the company's 2020 credit calculation. Some of the changes that may have a significant effect include: changing work locations driven by mandated shutdowns; revamped manufacturing processes; development of new technology to limit costumer and employee exposure; and/or benefits received from various provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act.***

## Changing Work Environment

For many companies the largest bucket of qualified research expenses (QREs) comes from wages paid to employees conducting qualified research activities. With the COVID-19 pandemic changing the work environment, and often the physical location for many employees, the time employees spend on qualified activities might have significantly changed in 2020. For example, an employee who normally spends a significant amount of their time (i.e., be eligible for the "substantially all" test allowing the taxpayer to include 100% of the employee's wages as qualified research expenses) conducting qualified research activities in a lab or manufacturing facility may have performed different activities during 2020. If the employee's plant or lab was subject to a mandatory COVID-19 shutdown, the same employee may have spent eight or more weeks or a small percentage of the year on administrative activities, which would likely reduce their qualified percentage before 80%, making the percentage of time dedicated to qualified R&D efforts vastly different than in prior years. If employees worked from different state locations, it could have a dramatic impact on available state research credits as well. Companies may have also modified their business activities due to the pandemic, which may result in personnel spending significantly more time on R&D activities. For example, distilleries switched from making liquor to producing hand sanitizer, and other manufacturers switched from their normal production activities to manufacturing personal protective equipment (PPE).

## Technology Development to Limit Exposure

During 2020, many companies were forced to develop technology to help limit customer and employee exposure to COVID-19. The costs of developing such technology may qualify for the R&D tax credit because the credit not only applies to products or processes that you sell or license for profit, but also technology developed for internal use (subject to additional requirements under a "high threshold of innovation test"). Companies who introduced new technology in response to the pandemic with the development of new or unique software coding should analyze whether the costs incurred in developing the technology may qualify for the R&D tax credit.

## Benefits of the CARES Act

Companies that received grants under the CARES Act Paycheck Protection Program (PPP) may need to reduce their QREs because PPP funds used to pay salaries are likely funded research. The PPP allowed qualified companies to receive a loan to keep employees on payroll. If a company maintains staffing and payroll, it will receive forgiveness on the loan equal to a portion of its payroll, rent and utilities. Under Sec. 41(d)(4)(H), funded research is any research funded by any grant, contract, or otherwise by another person (or governmental entity) and is excluded from being claimed for the R&D tax credit. Therefore, a taxpayer in the PPP loan program who anticipates applying for loan forgiveness and who also claims the research credit should consider the impact of the forgiveness on their 2020 R&D tax credit.

As an alternative to the PPP program, taxpayers may have claimed refundable employee retention credits (ERC) under the CARES Act. Qualified small businesses with under $5 million in gross receipts and no greater than a five-year history of gross receipts may be able to maximize the value of the ERC by combining it with the R&D payroll tax credit. Under Sec. 41(h) qualifying small businesses can designate up to $250,000 annually of the R&D credit against the employer's share of FICA payroll taxes. If the R&D credit is more than the quarterly payroll taxes owed, the remainder can be carried forward indefinitely to offset future quarterly payroll tax liabilities. The ERC is also applied against employer payroll taxes allowing a refund of up to $5,000 per eligible employee. The ERC is applied after the R&D credit. If the R&D payroll credit eliminates the employer payroll tax liability, then the full $5,000 ERC may be refunded for eligible employees. Realizing the benefit of both the R&D payroll tax credit and the ERC provides qualified small businesses with fast access to cash when it's needed most.

The CARES Act also allowed companies to carry back net operating losses (NOLs) incurred in 2018, 2019, and 2020 to the five previous tax years and claim refunds of income tax paid in the earlier years. The elimination of taxable income in prior years may reinstate R&D tax credits that were utilized against the original liability in the carryback years. Any credits that are released because of the NOL carryback are carried back an additional year and then any unutilized credit is carried forward for up to 20 years under the general business credit carryback/carryforward rules. If R&D tax credits haven't been previously claimed, doing so while applying NOL carrybacks to prior years can provide significant future tax benefits. An R&D tax credit claimed on an amended return is not eligible for the reduced credit election, so it will increase taxable income for the credit year, resulting in an increase in the amount of NOL utilized if the credit relates to a carryback year.

## The Takeaway

It will be important for taxpayers to understand how the pandemic affects their 2020 R&D tax credit. They should analyze 2020 expenditures and the various provisions of the CARES Act to ensure the taxpayer's R&D tax credits are maximized and defendable under IRS examination. Companies who experience a decrease in credit because of the changing work environments should be diligent in pursuing these enhanced credit opportunities, and should be mindful of the need to document current R&D expenses for the benefit of future R&D tax credits when normal business activities resume.

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## Considerations Before Taking on an Initial Public Offering

***Taking a business public through an initial public offering (IPO) or merger is a milestone in a company's history, but is it the correct step? The process of going public is costly, difficult, and can continue to overwhelm companies with regulation and public scrutiny once it's over. However, the benefits of liquidity for investors and access to capital for growth and mergers is substantial. This article discusses some of these considerations at a high level.***

## Regulatory Burden on Management After an IPO

**Regular Regulatory Reporting** – The company will be required to file a Form 10-K annual report within 60 to 90 days of year end and a Form 10-Q quarterly report within 40 to 45 days of quarter end. These documents disclose the current financial position of the company and average 100+ pages. These reports go into greater depth than typical private company financial statements, so they are time consuming for companies to generate, review, and file. Depending on company events from acquisitions and disposals to trading of company stock by an officer or director, additional reporting may be required throughout the year.

**Board Reporting and Shareholder Meetings** – Public companies are required to hold a regular shareholder meeting, send proxies, and vote on board members. This process typically involves a significant amount of time and cost to the company .

**Internal Controls** – Section 404 of the Sarbanes-Oxley Act of 2002 requires that public companies design, implement, and test the internal controls of a company on an annual basis. These internal controls extend to every aspect of a company's business, e.g., financial reporting, operations, inventory, information technology, purchasing, etc. To meet this requirement, a company must expand or establish a department for managing, evaluating, and testing internal controls. The controls burden all employees with additional compliance tasks and impact the business's ability to quickly respond. However, operating in a highly controlled environment reduces risk of fraud and error in the operations and financial reporting.

**External Audit Opinion** – While many private companies obtain audited financial statements, an audit opinion for a U.S. Securities and Exchange Commission (SEC) filing entity is more time consuming and expensive. In addition to the longer and more frequent filings with complex disclosures, materiality is typically much lower. Further, the audit opinion must be an integrated audit meaning it includes testing a company's internal controls as mentioned above.

## Capital & Liquidity

**Access to Capital** – With more potential buyers, public companies have access to larger amounts of capital than private companies. Public companies can easily access capital to fund organic growth, an acquisition, or debt repayments. Relying on private investors may hinder a private company in raising the level of funds it needs.

**Liquidity** – Becoming a publicly traded company increases the liquidity of an existing shareholder's investment. Unlike a private company, this liquidity allows founding partners and other shareholders to easily change their level of investment and diversify. Officers of the company, significant shareholders, and board members are required to report all activity. When these "insiders" sell the company's stock, it may be heavily scrutinized by investors and affect the stock price.

**Volatility** – The public market is less predictable and share price is redetermined constantly. The open market and the liquidity it provides, typically increases the value of shares. However, share price is also much more subject to external factors. This volatility and its impact on share price need to be considered when timing an IPO.

**Charitable Giving** – Shareholders of a public company can donate their appreciated stock to a charity and receive a deduction for the fair market value at time of the donation, subject to certain restrictions. This can provide a significant tax benefit as any gain that would have been incurred upon disposition is not included in income and the entire fair market value is treated as a deduction.

## Public Visibility

**Public Awareness** – An IPO will increase the public's awareness of the company and its products, which can build brand recognition and credibility. This can also increase the comfort levels of a company's venders and customers, as there is a higher level of expectations around operations and controls for a public company. This can also lead to stronger market share, as a company's products and the company itself become household names.

**Executive Compensation** – The federal securities law requires disclosure of the compensation of the Chief Executive Officer (CEO), Chief Financial Officer (CFO), and certain other executives' compensation. Board of director compensation is also disclosed to the public. These disclosures not only include salary and bonus but other benefits, such as use of a company jet and company provided vehicles. These compensation numbers can be heavily scrutinized by the public, media, and employees.

**Segment Reporting** – Major changes for companies going public include the requirement of segment reporting in their financial statements. The SEC may challenge the operating segments identified by the company. The SEC also requires companies disclose certain enterprise-wide information. This disclosure may include disaggregated revenue by products or services and revenue and assets by country if greater than 10% of the consolidated totals. In addition to a company's investors and customers having access to this information, direct competition can use this information to analyze the company's business.

**Investor Relations** – A public company has to manage relationships more regularly with its investors by providing meaningful information to the public. They lose the autonomy of a private company since they report to the shareholders. If shareholders do not approve of the actions taken by the company, they can potentially bring a shareholder derivative suit against the directors or other individuals of the company. All major decisions around the operations of the business will be open to public opinion.

**Hostile Takeover/Company Bid** – Going public increases a company's exposure to a hostile takeover or outright acquisition. This consideration is especially relevant when current private shareholders own less than 50% of the outstanding shares.

**Net Worth** – Significant shareholders of a company (5% or greater), are required to be disclosed in regular reporting with their ownership. As a result, a portion of their net worth can be easily ascertained using the fair market value of the stock price. While not comprehensive, significant shareholders will have a portion of their net worth known to the public.

**Litigation Risk** – The visibility of a public company increases potential for lawsuits. Companies are particularly vulnerable to class-action lawsuits in the first year of going public if shareholders are dissatisfied with the IPO process.

## Employees

**Removal by Shareholders –** Shareholders have greater ability to voice their opinion on how the company is being run. If management is not meeting projections or making decision in agreeance with the shareholders, shareholders can make their dissatisfaction known through a vote to remove board members. While shareholders cannot normally remove officers, they can replace the Board of Directors who will replace officers based on their agenda. Therefore, even as a significant shareholder, the CEO and other C-suite, can be removed from office and employment.

**Employee Compensation –** Being a public company will require additional personnel to handle the increased compliance requirements referenced above. In addition, companies find higher competition in attracting the necessary talent to employ in the business, which results in higher salaries.

**Company Desirability –** Being a public company can increase a company's brand recognition as an employer and help attract more talented candidates .

**Stock Compensation –** Employee incentive and benefit plans can be established in the form of stock ownership arrangements. Stock options to supplement salary may be more attractive to officers and other key personnel because of the potential upside. Stock compensation provides an additional incentive to employees without increasing the company's cash outlay in salaries and bonuses. While these plans are available to both private and public companies, the use and ease of a liquidity event for the employees is much more common for public companies.

## The Takeaway

A company will need to understand its strategy for going public and weigh the pros and cons before deciding to go forward with an IPO. Although, it may be ready for the financial costs of going public, management and current shareholders may not be interested in the even higher ongoing costs of being public. Careful assessment must be made to determine the right move in each situation.