

**James Mathews, CPA, PFS**

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**Specialties and Experience:**

Jim Mathews is responsible for the Firm's tax planning and consulting engagements. A Certified Public Accountant since 1964, Mathews specializes in estate tax planning and consulting services. Prior to founding MRPR in 1974, Mathews was a Manager in the tax department at Ernst & Young. He has also been accredited as a Personal Financial Specialist (PFS) since 1992 by the American Institute of Certified Public Accountants.

**Memberships:**

Mathews has served as Chairman of the MACPA's Federal Tax Committee and has served as a discussion leader at various MACPA sponsored seminars. Mathews is also Past President and an active member of the Financial and Estate Tax Planning Council of Metropolitan Detroit.

**Professional Activities:**

Mr. Mathews has served several trade and service associations and contributed to their activities as a member and as an officer. He has advised clients in such technical matters as mergers, acquisitions, real estate investment, retirement planning and form of organization. Because of his strong tax background he has helped clients achieve their financial goals and objectives.

**Education:**

Mathews received his B.A. in accounting from the University of Illinois. He has also completed extensive graduate level courses in taxation.

Mark D. Rottermond  
Certified Public Accountant

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Mark is a principal with MRPR, a CPA firm. Mark has practiced in public accounting since 1976 and has had continuing extensive experience with a variety of auditing and accounting, tax and consulting engagements, including a significant number of closely-held businesses. Prior to coming to MRPR in 1984, Mark practiced at Deloitte. Mark graduated with honors from Michigan Technological University and received his M.B.A. from the University of Michigan. He passed the uniform CPA exam on the first sitting.

MRPR is a full service CPA firm with specialties in the following areas:

- Audit, review and compilation (attest) services
- Tax planning and preparation, business and personal (including real estate matters)
- Audits of employee retirement plans (as required by ERISA for those with more than 100 participants)
- Business valuations
- Financial, gift, estate, retirement, and education planning
- Credit placement and restructuring
- Forecasts and projections
- Litigation support
- Job cost systems
- Controllership services and assistance
- Mergers and acquisitions
- Business succession planning

## **Robert Wagner, CPA**

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### **Specialties:**

Bob concentrates his practice in providing accounting and tax planning services for closely held business. He has over 20 years of experience including over 5 years as Tax Manager for Ilitch Holdings where he was responsible for Federal, state, and local tax planning and compliance for 17 Ilitch owned entities including the Detroit Red Wings, Detroit Tigers, Olympia Entertainment and Little Caesar entities. He also worked as Director of corporate taxes for a privately owned bus manufacturer headquartered in Ann Arbor.

His public accounting experience began with Peat Marwick in 1979 as an auditor and continued as a tax associate with Touche Ross in Detroit.

Prior to joining MRPR Group, he worked for over 2 years with a regional accounting firm. Bob has lectured on state and local tax issues on numerous occasions and is a former faculty member with LORMAN Education Services. He has also presented on sales tax issues for the MACPA.

### **Memberships:**

American Institute of Certified Public Accountants (AICPA)

Michigan Association of Certified Public Accountants (MACPA) – member and Vice-Chair of State and Local Task Force.

### **Education:**

Wagner received his Bachelor of Science in Business Administration, double majoring in accounting and finance, from the University of Dayton in 1979. He went on to receive his Master of Science in Taxation from Walsh College in 1984.

Gary Schwarcz, a shareholder of the law firm of Maroko and Landau, P.C. concentrates his practice in the areas of business planning, estate planning and taxation.

Mr. Schwarcz is a current member of the Michigan State Bar Association Probate and Estate Planning Section and Taxation Section. He is also a member of the New York State Bar Association Committee on Estates and Trusts, the American Bar Association Real Property, Probate and Trust Law Section and a past member of the Michigan State Bar Association Tax Council.

Mr. Schwarcz is an acknowledged authority on the Michigan Limited Liability Company Act. As past Chairperson of the Michigan State Bar Association Taxation Section Partnership Tax Committee, he and his committee members provided the Legislature with comments that influenced the drafting of the Act.

Mr. Schwarcz is a graduate of Wayne State University (B.A. Accounting, High Distinction, 1978), University of Michigan Law School (J.D., Cum laude, 1981) and New York University Law School (LL.M. Taxation, 1982).

Mr. Schwarcz speaks regularly to numerous professional organizations, including the Michigan Association of CPA's (MACPA). He is currently on the MACPA Management Information Show Task Force and the MACPA Real Estate Task Force.

Mr. Schwarcz has authored the following articles: Schwarcz and Sherbin, "The Limited Liability Company: A New Entity for Michigan Businesses?", 71 *Michigan Bar Journal* 650 (July 1992); Schwarcz and Acker, "The Michigan Limited Liability Company: House Bill 4902 for Michigan Businesses," Vol. XVIII *Michigan Tax Lawyer* 20 (4th Quarter 1992); Schwarcz and Acker, "The Michigan Limited Liability Company: New Opportunities for Michigan Businesses," Vol. 20, No. 3, *Michigan Real Property Review* 109 (Fall 1993); and Schwarcz, "Family Limited Liability Companies as an Estate Planning Tool," Vol. XXI *Michigan Tax Lawyer* 17 (1st Quarter 1995).

**Example #1**  
 Family Company, LLC which is owned :           60% by Dad                   (35% bracket)  
   20% by son                   (age 17 - kiddie tax issues)  
   20% by daughter           (age 17 - kiddie tax issues)

On January 1, 2007 LLC purchases a single family home for \$200,000 using interest only financing

**Given:**    10% downpayment  
               \$180,000 mortgage (interest only)  
               \$50,000 land value; \$150,000 Building cost  
               Rented for 10 months at \$1,500/mo  
               Utilities paid by tenant  
               On December 31, 2007 sell property for \$225,000 cash  
               MI transfer tax rate is .0075  
               legal fees = \$1,000

**Tax consequences:**

Asset sale:

Gross proceeds	225,000	
less transfer fees	(1,688)	
less sale costs	<u>(13,500)</u>	(less 6% commission)
	209,813	(A)

Adjusted basis:

Building cost	150,000	
less depreciation	(5,227)	(S/L over 27.5 years mid-month convention)
plus Land cost	<u>50,000</u>	
Adjusted basis	194,773	(B)

Gain on sale	(A)-(B)-(C.)	9,813	Depreciation recapture:	5,227 (C.)
Tax rate		<u>35%</u>		<u>35%</u>
Federal tax cost		3,434 (X)		1,829 (X)

**LLC income:**

Rent Income	15,000	
less interest exp	(9,900)	at 5.5%
less legal fees	(1,000)	
less property taxes	<u>(4,000)</u>	

Net Cash Activity	100
less depreciation	<u>(5,227)</u>
Taxable loss	(5,127)
Tax rate	<u>35%</u>
Federal tax benefit	(1,794) (X)

**Cash Flow Analysis:**

Cash revenue: @ (A)	209,813	(net of 6% commission)
LLC cash gain	100	
less mortgage payoff	(180,000)	
less income tax costs @ (X)	<u>(3,469)</u>	
Net cash income/return	<b>26,443</b>	

Note if building sale proceeds exceeds \$350,000 must file SBT return  
 Note that State income taxes not included here

**Example #2**

Family Company, LLC which is owned :

60% by Dad	(35% bracket)
20% by son	(age 19- 15% bracket)
20% by daughter	(age 22 - 20% bracket)

On December 30, 2006 LLC purchases a single family home for \$200,000 using interest only financing

**Given:**

10% downpayment		
180,000 mortgage (interest only)	Dad	21%
50,000 land value	Son	3%
150,000 Building cost	Daughter	4%
Rented for 10 months at \$1,500/mo	blended tax rate	28% (D)
Utilities paid by tenant		
On December 31, 2007 sell property for \$225,000 cash		
MI transfer tax rate is .0075		
legal fees = \$1,000		

**Tax consequences:**

Asset sale:

Gross proceeds	225,000	
less transfer fees	(1,688)	
less sale costs	<u>(13,500)</u>	(less 6% commission)
	209,813	(A)

Adjusted basis:

Building cost	150,000	
less depreciation	(5,227)	(S/L over 27.5 years mid-month convention)
plus Land cost	<u>50,000</u>	
Adjusted basis	194,773	(B)

Gain on sale	(A)-(B)-(C.)	9,813	Depreciation recapture:	5,227 (C.)
Tax rate		<u>15%</u>		<u>25%</u>
Federal tax cost		1,471.88 (X)		1,307 (X)

LLC income:

Rent Income	15,000	
less depreciation	(5,227)	
less interest exp	(9,900)	at 5.5%
less legal fees	(1,000)	
less property taxes	<u>(4,000)</u>	

Taxable loss	(5,127)
Tax rate	28% (D)
Federal tax benefit	(1,435.56) (X)

**Cash Flow Analysis:**

Cash revenue: @ (A)	209,813	(net of 6% commission)
LLC cash gain	100	
less mortgage payoff	(180,000)	
less income tax costs @ (X)	<u>(1,343)</u>	
Net cash income/return	<b>28,569</b>	

Note if building sale proceeds exceeds \$350,000 must file SBT return

Note that State income taxes not included here







**Example # 6**

Green Acres Investments, LLC which is owned 100% by Dad ( 35% bracket - age 50 year of sale)

On December 31, 2003 LLC purchases a single family home for \$200,000 using Dad's IRA funds

**Given:** 100% downpayment  
 0 mortgage (Purchased with IRA funds)  
 50,000 land value  
 150,000 Building cost  
 Rented for 36 months at \$1,500/mo  
 Utilities paid by tenant  
 On December 31, 2007 sell property for \$275,000 cash  
 MI transfer tax rate is .0075  
 legal fees = \$1,000

**Tax consequences:**

Asset sale:

Gross proceeds	275,000	
less transfer fees	(2,063)	
less sale costs	<u>(16,500)</u>	(less 6% commission)
	256,438	(A)

Adjusted basis:

Building cost	150,000	
less depreciation	(16,364)	(S/L over 27.5 years mid-month convention)
plus Land cost	<u>50,000</u>	
Adjusted basis	183,636	(B)

Gain (loss) on sale	(A)-(B)-(C.)	56,438	Depreciation recapture:	16,364 (C.)
Tax rate		<u>N/A</u>		<u>N/A</u>
Federal tax cost		deferred		deferred

LLC income:

Rent Income	54,000
less depreciation	(16,364)
less interest exp	-
less legal fees	(1,800)
less taxes	<u>(12,000)</u>

Taxable loss	23,836
Tax rate	N/A (D)
Federal tax benefit	deferred

**Cash Flow Analysis:**

Cash revenue: (A)	256,438	(net of 6% commission)
LLC cash gain	40,200	
less initial investment	(200,000)	
less income tax costs	<u>(10,546)</u>	(NPV at age 70 - distribution year; 35% tax rate on 96,638)
Net cash return	<b>86,091</b>	

Note if building sale proceeds exceeds \$350,000 must file SBT return

Note that State income taxes not included here