CASE STUDY

Hunter Engineering Company

The Challenge
The Hunter Engineering Company is a world leader in auto service equipment producing industry-leading wheel alignment and wheel balancing systems, tire changers, lift racks, brake lathes, inspection lanes and more. Hunter equipment is approved and used by vehicle manufacturers, automobile and truck dealers, tire dealers and service facilities in over 100 countries.

Hunter had outgrown their Union, Mississippi 106,000 square foot warehouse. With the property on the market for several months, the company knew they had a daunting and time-consuming task ahead of them. They would be dealing with multiple buyers, continued carrying costs and an unknown time frame to sell the property. Knowing the process would be mentally taxing, a cash drain and a management distraction led them to consider an alternative way to dispose of the property.

The Solution
The listing broker, Brandon Wood, was contacted by Larry Surowiecki, Senior Acquisitions Manager at Welfont. Larry presented him with an IRS Section 170 Bargain Sale transaction, a new concept to Mr. Wood. Although Mr. Wood was not familiar, he listened with interest to Larry’s proposal. After doing his own due diligence on this type of deal structure, he submitted the offer to the Hunter Engineering team.

After a thorough review of the Bargain Sale offer, Hunter Engineering hired an independent MAI-designated appraiser to reappraise the property based on IRS publication 561. The 561-appraised value is based on the full and true, fair market value of an underutilized property, significantly higher than the asking price.

An IRS Section 170 Bargain Sale transaction requires the buyer to be a 501(c)(3) nonprofit. Welfont is working with a large number of nonprofit organizations that are interested in participating in these transactions. The charity for this particular transaction was Food Assistance of North Carolina. A nonprofit agency that specializes in distributing food to senior citizens in Guilford County, Food Assistance helps seniors who suffer from a number of problems, ranging from physical to mental disabilities.

The Result
- This transaction netted the Hunter Engineering Company a sizeable tax deduction along with a substantial amount of cash, that in after-tax dollars, exceeded what they would receive from a full priced all cash offer.
- The nonprofit, Food Assistance, is expecting an offer on the warehouse soon. Even with the reduced sale price, this transaction will offer a sizeable financial benefit to a great charity, allowing them to continue their great work in North Carolina.