

## For sale: small businesses

■ A wave of small business sales marked the end of 1986. The Dec. 31 deadline for pre-tax-reform sales prompted a number of businesses to "dis-incorporate" themselves before the corporate gains tax rate jumped on Jan. 1.

Several larger public companies converted to master limited partnerships to beat the new maximum tax rate of 28 percent, which no longer includes the 60 percent capital gains exemption. The previous law taxed companies on only 40 percent of their capital gains. Therefore, a company in the 50 percent bracket paid 20 percent of income in taxes. These companies are now subject to the flat 28 percent rate.

The new rate marks the first time in decades that the individual's taxes will be lower than corporate, which is why companies are switching to limited partnerships. In this arrangement, profits and losses pass directly to the owners, avoiding the corporate income tax, and paying only the 28 percent top rate personal income tax on earnings: single taxation at lower rates.

## U.S. companies attract foreign investors

■ Foreign companies have always shown interest in U.S. chemical companies, but never as much as has been shown recently. Since last summer, at least six sales of U.S. companies to foreign companies have occurred. Two of the most recent are the Dutch conglomerate Unilever's \$3.1 billion purchase of Chesebrough-Ponds and West Germany's Hoechst AG's \$2.7 billion buyout of Celanese.

If pending acquisitions are completed, 20 percent of U.S. chemical interests will be foreign-owned. These include Rhone-Poulenc's recent purchases of Union Carbide's Agrichemical Division and a Monsanto plant. If the present trend continues, fluency in a foreign language may be a necessity.

Economist Ned Howenstine, of the U.S. Department of Commerce, predicted that new foreign investment in 1986 would surpass the 1981 peak. In the first nine months of 1986, Europe accounted for 22 of the 26 sales of chemical companies, Japan for two. Europe accounted for 24 chemical purchases in 1985, and 29 in 1984. More sales were expected before the end of 1986.

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