

H. TRACY HALL, INCORPORATED

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PROVO, UTAH 84601

H. TRACY HALL
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BALANCE SHEET
 APRIL, 1977

ASSETS

Current assets:

cash \$700.00

Total current assets: \$700.00

Property and equipment:

Manufacturing equipment: \$53,750.00
 Manufacturing tools: \$12,400.00
 Shop equipment: \$10,800.00
 Office equipment: \$3,200.00
 Research and Science eq.: \$109,150.00 (\$106,000 for 300 ton press)
 TOTAL: \$189,300.00

Inventory

Meters, transformers,
 scales, switches, gauges, etc. \$3,000.00
 Anvils and Carbide: \$5,000.00
 Bar steel: \$16,465.00 (33,000 lbs. of stock)
 Steel forgings (6) \$15,000.00 (6 bases for 1000 ton press)
 Precision High pressure
 4-way valves : \$6,000.00
 Motors and Pumps: \$6,000.00
 Control Panels: \$400.00
 Electrical supplies: \$15,500.00
 Oils, fuels, lubricants,
 plastic, wood, bolts and
 nuts, screws etc.. : \$3,000.00
 Misc. parts: \$2,000.00
 TOTAL: \$58,365.00

TOTAL ASSETS: \$248,365.00

LIABILITIES

Liabilities:

Accounts payable -----
 9½% note payable to bank \$5,000.00
 Notes payable to stock-
 holders \$11,426.00
 Debentures payable \$2,500.00
 TOTAL \$18,926.00

NET WORTH \$229,439.00

COST OF DBT EARNINGS TO PARTNER AS A
FUNCTION OF TAXABLE INCOME LEVEL

Taxable Income Prior to DBT Earnings	Federal tax (married, joint return) %	State tax (Utah) %	deductable contributions %	Cost to partner as a % of share of DBT earnings *
\$20,000	37	7.75	10	50
\$30,000	46	7.75	10	58
\$40,000	51	7.75	10	63
\$50,000	53	7.75	10	65
\$60,000	55	7.75	10	67
\$70,000	58	7.75	10	69
\$80,000	60	7.75	10	71
\$90,000	61	7.75	10	72
\$100,000	62	7.75	10	73
\$150,000	64	7.75	10	75
\$200,000	70	7.75	10	80
\$400,000	70	7.75	10	80

*Cost to partner was calculated by using the following formula;

X= partners share of earnings (distributed plus retained earnings)

COST= .9X(federal tax rate) + .9X(state tax rate) +.1X (contributions)

Cost = X(.9fed +.9state +.1) or Cost = X(%listed in right column above)

EXAMPLE: Dr. H. Tracy Hall (1976)

Taxable Income Prior to DBT earnings = \$40,000

Cost= .63(partners share of DBT earnings)

Note: (The actual share of earnings during 1976 that Dr. Hall was responsible for was higher than this example)

Assume that Dr. Hall's share of earnings were \$10,000. Cost to Dr. Hall =\$6,300. 40% or \$4,000 would be distributed to him which means \$2,300 would have to be provided from his own private funds.

Dr. Hall estimates that during 1977 73% of DBT earnings would have to be distributed to cover his costs.