

## Multiple Corporations: Defer Income

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There are many reasons you may want to have multiple corporations, one of which is the ability to defer income. This is accomplished by having different fiscal year ends.

A client owns an auto supply store and an auto repair shop. The auto repair shop maintains no inventory and purchases it as needed from the auto supply store. The auto supply store has a January 31 year end and the auto repair shop has a March 31 year end.

On March 31 the auto repair shop pays \$3,000 to the auto supply store for parts to be used in a repair job and the auto supply store delivers the parts the same day. The auto repair shop can deduct the \$3,000 on its corporate tax return for the year ending March 31, but the auto supply store does not have to report the income until the following January 31 year end.

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