TAX PLANNING CASE STUDY

How We Helped a High-Earning Physician Save More Than $266,000 a Year in Taxes

A Rainwater CPA Tax Planning Case Study

Rainwater CPA

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The Client

A successful physician who owns and operates a thriving medical practice. Like many high-earning specialists, the client was generating strong, growing profits through a professional corporation, held several rental properties, and carried an investment portfolio. The practice was producing multiple millions of dollars in annual receipts, which placed the owner squarely in the highest federal and state tax brackets.

The client's goals were straightforward but demanding: reduce a very large annual tax bill, build long-term wealth for retirement, and put a durable, repeatable tax structure in place, all while keeping the practice running and preserving flexibility for a possible future sale.

The Challenge

High-income medical professionals face a specific problem. Their income is largely earned income, taxed at the top marginal rates, with limited built-in shelter. Standard year-end moves rarely move the needle at this income level. Without proactive, entity-level planning, six-figure tax bills simply repeat year after year.

When we began working with this client, the core issues were clear:

- Practice profits were being taxed at the highest individual rates with little coordinated planning.
- State taxes were being paid in a way that ran headfirst into the federal SALT deduction cap.
- Retirement contributions were well below what the owner's income could support.
- The business structure had not been evaluated against alternatives for tax efficiency.
- Owner-level expenses that could legitimately become business deductions were being left on the table.

Our Approach

We conducted a full review of the client's prior returns, business financials, rental activity, and long-term goals, then modeled the practice under multiple entity structures and layered in a coordinated set of strategies. Rather than chasing a single deduction, we built an integrated plan where the entity structure, retirement design, and expense strategies reinforced one another.

Every recommendation was mapped to specific Internal Revenue Code authority and paired with the documentation the client would need to support the position.

The Strategies We Implemented

Entity Structure Optimization

We analyzed the practice under sole proprietorship, S corporation, C corporation, and partnership treatment. Modeling showed that the right corporate structure, combined with the strategies below, produced the strongest after-tax result given the owner's reinvestment needs and long-term exit considerations. Selecting and supporting the optimal structure was the foundation the rest of the plan was built on.

Captive Insurance Company

We established a properly structured captive insurance arrangement so the practice could insure legitimate business risks through its own insurance company rather than paying those premiums to outside carriers. Structured correctly, with genuine risk shifting and risk distribution, this became the single largest driver of savings in the plan and gave the owner more control over the practice's risk management.

Pass-Through Entity State Tax Election

By having the business pay state income tax at the entity level, those payments sidestep the individual SALT deduction cap. This turned a previously capped, partially wasted deduction into a fully deductible business expense.

Profit-Sharing Retirement Plan

We implemented a profit-sharing plan that allowed the owner to shelter substantially more income for retirement than a standard plan would permit, converting a large slice of taxable income into tax-advantaged retirement savings each year.

Accountable Plan

We put a formal accountable plan in place so the owner could be reimbursed, tax-free, for legitimate business use of the home office and business travel. These reimbursements became deductions to the business and non-taxable cash flow to the owner.

The Augusta Rule

Under Section 280A(g), the owner rents a personal residence to the business for up to 14 days a year for legitimate business meetings. The rental income is tax-free to the owner while the business receives a deduction, all supported by a lease, comparable-rate documentation, and meeting records.

Owner Health Insurance Deduction

We structured the owner's family health insurance so the premiums became fully deductible, eliminating tax on dollars that were being spent on coverage regardless.

Work Opportunity Tax Credit

We identified qualifying hires and captured the federal Work Opportunity Tax Credit, a dollar-for-dollar reduction in tax for wages paid to employees from targeted groups.

Direct Investment Incentives

To layer additional shelter on top of the business strategies, we incorporated code-based investment incentives, including a direct oil and gas working interest (with its accelerated intangible drilling cost deductions) and syndicated solar tax credits, both of which generate deductions and credits against high-bracket income.

The Results

By combining these strategies into one coordinated plan, we projected the following estimated tax savings for the client:

Result	Amount
Estimated first-year tax savings	**$236,101**
Estimated recurring annual tax savings	**$266,463**

These are not one-time savings. The core strategies recur every year, meaning the client is positioned to save more than a quarter of a million dollars annually going forward.

Put another way: if the owner simply invested those annual tax savings each month until retirement at a modest 6 percent return, the plan projected that the redirected tax dollars alone could grow into tens of millions of dollars of additional retirement wealth over the working years ahead. Money that would otherwise have gone to taxes instead compounds for the client's future.

Why It Worked

This result did not come from a single loophole. It came from proactive, integrated planning:

- We started with the entity structure and built everything on top of it.
- We chose strategies with clear statutory authority and documented every one.
- We coordinated the strategies so they reinforced rather than competed with each other.
- We designed the plan to repeat, delivering savings year after year rather than once.

The Takeaway

High income does not have to mean an inevitable, ever-growing tax bill. With the right structure and a coordinated plan, a physician practice owner in the top tax brackets was able to keep more than $266,000 a year that would otherwise have gone to taxes, and redirect it toward building lasting wealth.

If you own a practice or a high-income business and feel like you are overpaying, that is usually a planning problem, not an income problem. We would welcome the chance to show you what a coordinated tax plan could look like for you.

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This case study is based on an actual client engagement. Client identity and all identifying details have been removed to protect privacy. Estimated tax savings are projections based on the facts and assumptions of one specific engagement and depend on that client's particular income, business structure, and circumstances. Results will vary. Nothing in this material is tax or legal advice, and it does not establish an accountant-client relationship. Certain strategies described here, including captive insurance and syndicated investment arrangements, carry heightened IRS scrutiny and must be implemented with proper structure, economic substance, and documentation. Consult a qualified professional before implementing any strategy.