RAINWATERCPA

CLIENT CASE STUDY

Comprehensive Tax Planning for a Multi-Business Owner

Five operating companies. One coordinated federal tax strategy.

CLIENT SNAPSHOT

A high-income entrepreneur in a no-income-tax state who controls a portfolio of five operating companies plus real estate. Projected personal income is approximately $4 million, with combined business net profit in the range of $7 million to $8 million, placing the client squarely in the top federal marginal bracket with a projected federal liability well into seven figures.

Income is almost entirely active and pass-through, not investment income. Sources include multiple entities, including partnership, s-corp, and as a sole proprietorship, and a multi-year ordinary-income earnout from a prior business sale.

THE CHALLENGE

The client had grown a substantial, multi-entity enterprise organically, without a coordinated tax structure. Income was flowing through a patchwork of entity types, including one high-margin practice still operating as a Schedule C sole proprietorship and fully exposed to self-employment tax. With income concentrated at the highest bracket and no state tax to plan around, every planning dollar had to work on the federal side, and nothing was being coordinated across the five businesses.

THE APPROACH

We conducted a full review of the client's entities, income sources, and near-term plans, then modeled a coordinated set of strategies sized to the client's top marginal bracket. Rather than a single tactic, the plan layers entity optimization, retirement plan design, real estate depreciation, energy incentives, and the qualified business income deduction into one integrated structure.

THE STRATEGIES AND PROJECTED SAVINGS

The plan identifies a coordinated set of strategies. The figures below are illustrative annual federal savings, sized at the client's top marginal bracket.

Strategy	Projected Annual Savings
Entity optimization	$16,750
Augusta Rule	$38,850
Short-term rental with cost segregation	$153,000
Oil and gas intangible drilling costs	$148,000

Strategy	Projected Annual Savings
Retirement plan design (401(k) plus cash balance)	**$111,000**
Qualified business income optimization	**$111,000 – $444,000**
Business aircraft acquisition (optional)	**up to $666,000**

INSIDE THE LARGEST LEVERS

- Short-term rental with cost segregation, approximately $153,000. On a $1.5 million building basis, roughly $375,000 is reclassified to short-life property and expensed in year one. With an average guest stay of seven days or less and material participation, the activity escapes the passive-activity limits, so the loss offsets active business income.
- Retirement plan design, approximately $111,000. A combined 401(k) and cash balance plan supports roughly $300,000 of deductible contributions annually, sheltered at the top bracket.
- Entity optimization, approximately $16,750. Electing S corporation status for the $400,000 sole-proprietorship splits the profit into a $150,000 reasonable salary and a $250,000 distribution, removing the distribution from Medicare and Additional Medicare tax.

THE TAKEAWAY

For a high-earning owner of multiple businesses, the largest gains come from coordination, not from any single tactic. Aligning entity structure, retirement design, real estate depreciation, and available incentives across the whole enterprise turned an uncoordinated group of profitable companies into an integrated plan projecting roughly $468,000 to over $1.5 million in annual federal tax savings.

PROJECTED ANNUAL FEDERAL SAVINGS

$467,600 conservative **$1,577,600** with aircraft + full QBI optimization

These figures are planning projections developed during the proposal stage and are refined against filed returns and current-year detail as the engagement proceeds.