How a Colorado Real Estate Professional Found $29,615 in Same-Year Tax Savings

INDUSTRY
Real Estate & Home Staging
LOCATION
Colorado
ENTITY STRUCTURE
S Corporation (plus individual return)
ENGAGEMENT
Proactive Tax Planning by RainwaterCPA

The Client

The client is a real estate agent who runs her practice through an S corporation. Alongside her real estate business, she and her spouse also own a home staging company and a short term rental property. It's a busy, multi income household: several businesses, a mortgage, and a family to plan around. Before working with us, they were filing a standard return each year, with no strategy behind it and no plan built ahead of time.

The Challenge

Real estate commissions, a staging business, and rental income all add up to real tax exposure, both at the S corp level and on the personal return. Without proactive planning, that income gets taxed at the highest marginal rates with no structure in place to soften it. The projected liability heading into the year was $40,717 in federal tax and $10,664 in Colorado tax: over $51,000 combined, at a blended marginal rate of 28.4%. The client wasn't doing anything wrong. She just wasn't doing anything intentional.

What We Did

RainwaterCPA built a full tax plan covering the S corp and the couple's individual return, layering together strategies suited to their specific situation: income level, entity structure, and family circumstances. We identified five distinct opportunities, ranked from highest to lowest impact:

- A Solo 401(k) funded through the S corp, combining an employee deferral with an employer contribution
- A cost segregation study on the short term rental to accelerate bonus depreciation
- The Augusta Rule, renting the personal residence to the S corp for legitimate business use, up to 14 days a year, tax free
- Maximizing the family HSA to capture remaining contribution room for the year
- Confirming eligibility for the child tax credit, which wasn't yet reflected on the projection

Two of these strategies, the Solo 401(k) employer contribution and the Augusta Rule rent, meant pulling roughly $46,000 more out of the S corp than usual. Before moving forward, we built a stock basis schedule to confirm the added contributions and rent wouldn't push distributions beyond basis and create an unexpected taxable gain. That safeguard came first. The savings came second.

The Results

STRATEGY	ESTIMATED TAX SAVINGS
Solo 401(k) retirement plan	$13,774
Cost segregation on the short term rental	$6,228
Augusta Rule (renting the home to the S corp)	$5,964
Family HSA maximization	$1,649
Child tax credit	$2,000
Total estimated savings	**$29,615**

That's a reduction of about 57% against the couple's original projected tax liability, using established strategies rather than aggressive or gray area positions.

57% Lower Tax Bill

Projected reduction in combined federal and state tax liability for the year, achieved through five coordinated strategies built around the client's actual entity structure, income sources, and family situation.

The Takeaway

The client's situation wasn't unusual: a small business owner with an S corp, a side investment property, and a family. What changed the outcome was a team that looked at the whole picture instead of treating each piece in isolation, and that checked the plan's structural soundness before implementing it. That's the difference between a tax preparer and a tax strategist, and it's the difference between paying what the software says and paying only what's actually owed.

Client details have been anonymized to protect confidentiality. Figures reflect actual strategy modeling performed for this engagement. This case study is for illustrative purposes; individual results vary based on facts and circumstances.