

TAX CASE STUDY

Current situation

We had a client come to us with a business doing \$5M in gross revenue and netting \$1M. The company was setup as a single member LLC that they formed on Legal Zoom themselves. They asked if Fully Accountable could save them on their year-end tax bill if they signed up for our CFO services and tax planning session.

We said, yes!

Results

Once the client signed up, we kicked off by looking at the client's corporate structure and getting to know the owners personally.



We found out that the client:

- ⦿ Was looking to sell their business in the next couple of years
- ⦿ Was married with 3 kids under the age of 18
- ⦿ Was developing a software internally and using a lot of contract labor as a result

Saved

\$200K
in taxes

After learning more about the client's situation, we went right to work and saved the owner almost \$200K in taxes.

To achieve this, Fully Accountable helped them:

- ✔ Form an S-corp. holdings company and assigned the LLC's ownership to the holding company. This allowed the owner to pay themselves a W-2 wage and take advantage of the 20% QBI deduction on their business income that they were not able to take in the past.
- ✔ Pay each of their three kids \$12,550 for services they provided to the business. This resulted in a tax deduction and allowed each kid to setup a Roth IRA.
- ✔ Set up an SEP retirement account and were able to max out their contributions.
- ✔ Appoint the owner and their spouse to the board of directors of the company, which allowed them to plan tax deductible trips for holding meetings.
- ✔ Hire an outside company to perform an R&D study to claim an R&D tax credit. We were able to amend a few prior years' tax return filings.
- ✔ Capture additional expenses related to the owner's home office and automobile at the holdings company level, which provided additional tax deductions while maintaining a good image for banking and investor purposes.
- ✔ Plan to move their primary residence and company out of a high-income tax state prior to any sales transaction, which allowed them to buy their new home with the tax savings they would yield from the sale.