

# WHITE PAPER

## INTRODUCTION WIN ONE, LOSE ONE, WIN ONE...

The W-L-W case was a fun case for our team. There was complexity due to the types of income this family was generating and the stakes were high because they were in the 39.6% tax bracket in the prior tax year. They were also paying AMT (the alternative minimum tax). This can be a very tough tax to deal with because it can wipe out or ability to take certain itemized deductions.

Both the husband and wife worked. The wife was a high-producing business owner and the husband worked in corporate America. We projected their tax liability to be in the \$110,000 range when we started the case, and both the husband and the wife made it clear that they were tired of paying too much in taxes. They felt like their current advisory team was doing little to help them accomplish their goals.

At Monotelo, our focus is more than tax preparation; it is to make a difference with actionable and meaningful financial solutions that positively impact our clients' lives.

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## THE CHALLENGE

With more than half of the income in this case coming from W-2 income, we believed we could still make a difference for this family. This, however, was one of the first cases where the majority of the income was not coming from the small business owner, but coming from a corporate employee.

## THE SOLUTION

We had three goals heading into this case:

1. Lower their taxable income by \$15,000
2. Shift the sources of the income of the business owner.
3. Reduce or eliminate the AMT penalty

In the end, we could not get to our first goal and we did not fully eliminate the AMT penalty. However, we were able to lower their taxable income by \$12,500.

We were surprised at the smaller impact we had on their taxable income, but we were even more surprised when we discovered that we lowered their overall federal tax liability by \$14,000 a year.

We were not able to fully eliminate the AMT penalty for this family, but we were able to reduce it with two strategies:

1. We reduced their adjusted gross income by structuring the compensation differently for the business owner and this lowered the AMT penalty.
2. We suggested shifting one asset from their personal balance sheet to an LLC. This reduced the portion of the itemized deductions that they missed as a result of the alternative minimum tax.

The \$14,000 in annual savings that we were able to generate for this family was outside the norm of what we had done in the past, but the additional complexity of their situation gave us more opportunities to be creative!