

# Case Study

## Maximizing Profitability and Minimizing Taxes Through the Creation of Multiple Entities



### OVERVIEW

The founders of a small business came to A.V. Arias & Co. in the late 1980s. They had a growing manufacturing business and were interested in structuring their organization to maximize revenue and minimize tax obligations. For the past three decades, A.V. Arias & Co. has worked with this client, strategizing to create the appropriate legal entities as their business grew from a mom-and-pop to a multi-million dollar enterprise.



### STRATEGY

The enterprise started business as a C Corp, reporting on a fiscal year ending January 31. To accomplish tax planning in the early years, Arias added a pass-through entity S Corp, reporting on a calendar year-end. This enabled effective control of taxable income of the owners. As the business expanded over the next decade, we restructured their business, adding a second C Corp, reporting on a fiscal year ending March 31, engaging in the business of marketing the enterprise. This helped accelerate growth in revenue and defer additional taxable income. By the early 2,000s the company had grown into a multi-million business.



### RESULTS

By restructuring into multiple entities (brother-sister organizations that support each other with services), our client was able to save hundreds of thousands of dollars by significantly reducing taxable income. The company maximized revenue throughout the various growth phases of its business, increasing their average revenues by 6% per year and decreasing the tax obligations created the third entity.



### OUR FIRM

*A.V. Arias & Co. is a CPA firm that specializes in delivering strategic, sophisticated, and expert tax advice and planning services.*

*Since our inception in 1981, we have collaborated with a diverse range of professionals, including wealth planners, bankers, attorneys, insurance brokers, strategic planning implementors, income and estate tax planners, and succession planners. We also work with high net worth individuals.*

