

BULLOGIC WEALTH // TAX STRATEGY CASE STUDY

A Six-Strategy Tax Plan Cuts a Business Owner's Bill by 32%

Photo & Media Company | Washington D.C. | Annual Savings: \$28,082

Case Study | Photo & Media Company | Washington D.C.

AT A GLANCE

TAX BILL BEFORE \$86,573	TAX BILL AFTER \$58,491	ANNUAL SAVINGS \$28,082
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Client	Claire Donovan (name changed)
Business	Capitol Photo Co.
Industry	Photography & Media — Professional Photo Company
Location	Washington D.C.
Tax Bracket	35% Federal (2025 baseline)
Baseline Tax	\$86,573 combined federal and D.C. (no strategy)

CLIENT BACKGROUND

Claire Donovan came to Bullogic Wealth as the sole owner of Capitol Photo Co., a professional photo company based in Washington D.C. After a major internal reorganization in 2024 — including her father's retirement, staffing changes, and significant operational improvements — she assumed full ownership of the business for the first time.

With ambitious plans to expand to twenty cities over five years through franchising and company-owned locations, Claire needed more than a tax return. She needed a tax architecture that would support aggressive growth while keeping as much capital inside the business as possible. Her existing structure had no plan for entity optimization, depreciation, or exit strategy.

THE CHALLENGE

Claire was paying herself through a W-2 salary plus year-end bonuses — a structure that maximized payroll tax exposure on every dollar paid. Her 401(k) contributions were being made on a Roth basis despite operating in the 35% federal tax bracket, forgoing an immediate deduction at the highest rate she was likely to face in her career.

The business had significant purchasing power for equipment and vehicles but no depreciation strategy to convert those purchases into immediate tax deductions. Most critically, the entire operation ran through a single S-Corporation, meaning all profits were taxed at her individual rate of 24 to 35 percent with no mechanism to retain earnings at a lower corporate rate. With expansion plans requiring substantial retained capital, a single-entity structure was the most expensive way she could operate.

STRATEGIES IMPLEMENTED

Traditional 401(k) Conversion

Switched Claire's remaining 2025 401(k) contributions — approximately \$4,200 — from Roth to pre-tax traditional contributions. At a 35% federal bracket, deferring income now and withdrawing at a lower rate in retirement meaningfully reduces lifetime tax liability. Pre-tax contributions also lower current AGI, creating additional downstream planning room.

S-Corp Distributions vs. Year-End Bonus

Eliminated the year-end bonus structure and replaced it with S-Corporation distributions. Bonuses are treated as W-2 compensation subject to full payroll taxes. Distributions, paid after a reasonable W-2 salary, avoid Social Security and Medicare taxes entirely. This also reduces S-Corp expenses, increases net business income, and expands the QBI deduction — a triple benefit from a single structural adjustment.

Section 179 & Bonus Depreciation — \$50,000 Vehicle

Structured the purchase of a \$50,000 company vehicle to take advantage of Section 179 and 100% bonus depreciation available under the One Big Beautiful Bill Act. The full \$50,000 was deducted in the year of purchase, generating \$12,800 in direct tax savings. The net cash outlay after tax savings was \$37,200 — with a fully depreciated business asset on day one.

C-Corporation Formation (2026)

Designed a plan to form a related C-Corporation in 2026 and shift \$100,000 of S-Corp earnings into the new entity. The C-Corp's flat 21% federal tax rate replaces the 24 to 35% individual rate. Income retained inside the C-Corp funds expansion — new locations, equipment, working capital, or real estate — without triggering immediate pass-through taxation to Claire personally.

Section 1202 QSBS — Exit Planning Foundation

Structured the C-Corporation to qualify for Section 1202 Qualified Small Business Stock treatment from day one. QSBS held for five or more years may generate a federal capital gains exclusion up to the greater of \$15 million or 10 times the shareholder's basis. On a hypothetical 2x-revenue sale, combining a Section 1202 C-Corp exit with an S-Corp asset sale generates approximately \$125,000 more in after-tax proceeds compared to an S-Corp-only sale.

C-Corp Real Estate Strategy (Future Planning)

Outlined a framework for the C-Corp to acquire commercial real estate as the business expands. The S-Corp pays rent to the C-Corp — deductible to the S-Corp, largely offset by depreciation inside the C-Corp. A \$500,000 property purchase with 30% cost segregation generates approximately \$31,500 in first-year tax savings at 21%. Retained earnings compound inside the C-Corp, building a self-funding real estate acquisition vehicle.

HOW THE SAVINGS BUILT — LAYER BY LAYER

1

Baseline — No Strategy

Current salary and bonus structure. 35% federal bracket, QBI deduction ~\$44,900. Combined federal and D.C. bill of \$86,573.

\$86,573 total tax

2

401(k) Conversion + S-Corp Distributions

Switch \$4,200 to pre-tax, replace bonus with distributions. QBI rises to ~\$53,346, bracket drops to 32%.

\$81,983 total tax — saves \$4,590

3

Section 179 + Bonus Depreciation

\$50,000 vehicle depreciation reduces business income to \$216,732, taxable income to \$209,573.

\$64,956 total tax — saves \$21,617 vs. baseline

4

C-Corporation Formation (2026)

\$100,000 shifted to C-Corp at 21%. Personal bracket drops to 24%. Total tax includes projected \$21,000 C-Corp tax.

\$58,491 total tax — saves \$28,082 vs. baseline (32% reduction)

TAX SAVINGS BREAKDOWN

STRATEGY LAYER	FEDERAL TAX	D.C. TAX	TOTAL TAX	CUMULATIVE SAVINGS
No Strategy (Baseline)	\$61,054	\$25,519	\$86,573	—
+ 401(k) & S-Corp Distributions	\$56,898	\$25,085	\$81,983	\$4,590
+ Section 179 & Bonus Depreciation	\$44,098	\$20,858	\$64,956	\$21,617
+ C-Corp Formation (incl. \$21K C-Corp tax)	\$39,077	\$19,414	\$58,491	\$28,082 saved

FUTURE EXIT: SECTION 1202 QSBS VS. S-CORP ASSET SALE

Structuring the C-Corporation for Section 1202 QSBS treatment from day one is one of the most consequential long-term decisions in this plan. The table below compares hypothetical exit outcomes using a sale price of 2x revenue.

EXIT SCENARIO	HYPOTHETICAL SALE PRICE	AFTER-TAX PROCEEDS	DIFFERENCE
S-Corp Asset Sale Only	\$2,120,000	~\$1,850,000	—
Combined S-Corp + Sec. 1202 C-Corp Sale	\$2,120,000	~\$1,975,000	~\$125,000 more

Note: Washington D.C. has decoupled from Section 1202. D.C.-level taxes still apply on the qualified stock portion. Federal capital gains tax on QSBS is fully excluded assuming the five-year holding period is met and the corporation maintains qualified status.

BUILT-IN FUTURE PLANNING

C-CORP REAL ESTATE EXPANSION ENGINE

As Capitol Photo Co. expands to new cities, the C-Corporation is positioned to acquire commercial real estate for business locations. The S-Corp pays rent to the C-Corp — fully deductible to the S-Corp and largely offset by depreciation inside the C-Corp.

A \$500,000 property purchase with 30% cost segregation generates approximately \$31,500 in first-year tax savings at the 21% corporate rate, with a net effective down payment after year-one benefits of around 42.5% of the initial cash invested. Retained earnings from rent compound inside the C-Corp, creating a self-funding acquisition vehicle that builds real estate equity without requiring personal capital contributions each year.

THE OUTCOME

Claire went from an \$86,573 tax bill with no strategy and no plan for growth to a \$58,491 tax bill with six coordinated strategies in place — a 32% reduction and \$28,082 in annual savings. But the dollar savings understates what was built.

The C-Corporation creates a permanent structural advantage: income shifted at 21% instead of 35% is money that stays inside the business and funds expansion. The Section 1202 election made at formation could be worth hundreds of thousands on a future sale. The real estate strategy turns rent payments into equity. The difference between where Claire started and where she ends up is not just a lower tax bill. It is an entirely different financial architecture for the next chapter of the business.

Disclaimer: This case study is based on an actual tax plan developed by Bullogic Wealth for a real client. Client names and identifying details have been changed to protect privacy. The results shown reflect the specific facts and circumstances of this client's situation and should not be regarded as tax advice or relied upon as a guarantee of similar outcomes. Tax laws are subject to change. Individual results will vary. This information is for educational purposes only. Consult a qualified tax professional before making any tax planning decisions.