ClearSky
CPA
Build. Grow. Exit. Minimize Taxes.



CASE STUDY |

STRATEGIC TAX PLANNING

When Paying Taxes Today Is Smarter Than Deferring Them

How ClearSky CPA helped a dental practice owner look beyond a traditional 1031 exchange and identify a more advantageous tax strategy.

www.clearskycpa.com

1. The Decision

A successful dental practice owner was selling a commercial property for approximately $675,000 and purchasing another building for a similar amount.

With an estimated $451,000 gain on the sale, a 1031 exchange seemed like the obvious choice.

Why pay taxes today when you can defer them?

But ClearSky CPA asked a different question:

What if paying the tax now could actually put the owner in a better financial position?

2. What Was at Stake

A 1031 exchange would allow the owner to defer the taxable gain. But there was a trade-off.

The existing property had a relatively low tax basis of approximately $224,000. With a 1031 exchange, much of that lower basis would carry over to the replacement property, limiting future depreciation deductions.

The owner also had previously suspended losses that needed to be considered.

Simply choosing the 1031 exchange could mean overlooking valuable tax opportunities.

3. The ClearSky Approach

Instead of focusing only on avoiding taxes today, ClearSky compared the overall financial impact of two strategies.

Option 1: Complete a 1031 exchange
Defer the gain, but retain a relatively low depreciation basis in the replacement property.

Option 2: Sell and purchase separately
Recognize the gain, establish a new tax basis of approximately $675,000, and use cost segregation to accelerate depreciation deductions on eligible building components.

That difference in basis was significant.

With a new purchase, the owner could potentially generate substantially larger depreciation deductions than under a 1031 exchange.

ClearSky also evaluated how the owner's suspended losses could affect the tax calculation.

The goal wasn't simply to avoid the tax on the sale. It was to understand which strategy would produce the best overall result.

4. The Outcome

ClearSky recommended selling the existing property and purchasing the new building without a 1031 exchange.

The strategy provided several important advantages:

- A new property basis of approximately $675,000, creating a greater opportunity for depreciation deductions.
- The ability to use cost segregation to accelerate depreciation on qualifying portions of the new building.
- Consideration of suspended losses in determining the owner's overall tax exposure.
- Greater flexibility for future real estate decisions.

Instead of making a decision based on one tax benefit, the owner had a strategy that considered the bigger financial picture.

5. The Bigger Lesson

Deferring taxes doesn't always mean saving the most money.

Sometimes the strategy that appears to create a larger tax bill today can produce a better financial outcome.

The difference comes from understanding how all the pieces work together.

At ClearSky CPA, we don't just look for ways to reduce taxes. We help business owners understand their options and make smarter decisions about their financial future.



These case studies illustrate specific client circumstances and outcomes. Results vary based on individual facts, timing, and applicable tax laws. Past results do not guarantee similar outcomes. This information is for educational purposes and is not individualized tax, legal, or investment advice.



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