

# **Corporate Structure & Tax Strategy Master Playbook**

## **(Expanded Edition)**

A complete, detailed, and actionable guide for entity structuring, tax optimization, estate planning, and wealth protection.

## Executive Summary

This playbook consolidates all entities, trusts, flows, intercompany agreements, and compliance requirements into one cohesive framework. It explains how every dollar earned (from W-2 wages or business revenue) is filtered through the structure to minimize tax exposure, protect assets, and retain wealth inside tax-advantaged or estate-protected vehicles.

### 1. Ownership & Estate Foundation

The **Irrevocable Living Trust** serves as the parent vault, centralizing ownership of HoldCo, MgmtCo, Children's Trusts, and ILIT. It protects assets from personal creditors, reduces estate tax exposure, and sets dynastic rules for wealth distribution. Children's Trusts, funded with discounted LP or LLC interests, provide intergenerational transfers free of estate inclusion. The ILIT holds permanent life insurance, creating estate-tax-free liquidity and long-term protection.

### 2. Core Entity Hubs

**HoldCo (WY/DE LLC):** Parent treasury and equity hub. Owns subsidiaries, consolidates profits, and funds Trust allocations. Located in WY/DE for privacy and charging-order protection. Must maintain strict banking separation and annual filings. **MgmtCo (S-Corp LLC):** Shared services provider (HR, payroll, marketing, finance) for all subsidiaries. Enables salary/distribution split, creating payroll tax arbitrage. Must benchmark reasonable compensation and document intercompany agreements (MSAs).

### 3. Subsidiary Layer

- **ServiceCos:** Client-facing revenue generators (e.g., Pest Factor, YourDeputy). Deduct MgmtCo, IP royalties, and EquipCo leases.
- **RealEstateCo:** Property ownership silo. Organized as Series LLC or state-level LLCs. Uses REPS election and depreciation/cost segregation to shield taxable income.
- **IP/MediaCo:** Holds intellectual property (brands, software, trademarks). Licenses IP to ServiceCos. Keeps IP insulated from operational risk.
- **EquipCo:** Owns vehicles, cameras, diagnostic tools. Leases assets to subsidiaries. Deductible at operating entity, rental income at HoldCo.

### 4. Parallel Wealth Vehicles

- **Solo 401(k):** Employer contributions from MgmtCo; tax-deferred or tax-free growth. Must avoid prohibited transactions and file Form 5500 if >\$250k assets.
- **Brokerage/Angel LLC:** Central hub for private equity, angel, and syndicate investing. Consolidates K-1s and provides liability shield.
- **501(c)(3) Foundation:** Charitable arm; receives deductible contributions; grows tax-exempt; must file Form 990 and observe 5% payout rule.
- **ILIT:** Holds whole life/IUL policies. Premiums funded via Trust. Provides estate-tax-free inheritance.

## 5. Income Flows & Tax Mechanics

\*\*W-2 Income:\*\* Tax withheld at ~25–30%. Refunds funneled into Trust and redeployed into 401(k), ILIT, Children's Trusts, and Foundation. Ensures IRS safe harbor and generates seed capital. \*\*Business Income:\*\* Passes through deductions (MgmtCo fees, IP royalties, Equip leases, depreciation). MgmtCo arbitrage splits salary (taxed w/FICA) and distributions (no FICA). Net profits flow to HoldCo, then to Trust, then redeployed into tax-sheltered vehicles.

## 6. Tax Outcome: Dollar Efficiency

- \*\*W-2 Dollar:\*\* ~25¢ taxed, ~3¢ recaptured as refund, ~72¢ permanently lost. - \*\*Business Dollar:\*\* ~25.6¢ taxed, ~44¢ retained/protected. Business dollars are 10–15x more efficient at wealth retention.

## 7. Intercompany Agreements

Essential agreements that formalize flows and maintain IRS compliance: - \*\*Master Services Agreement (MSA):\*\* MgmtCo ↔ Subsidiaries. - \*\*IP License Agreements:\*\* IP/MediaCo ↔ ServiceCos. - \*\*Equipment Leases:\*\* EquipCo ↔ Subsidiaries. - \*\*Intercompany Loans:\*\* HoldCo ↔ Subsidiaries (must meet AFR rates). - \*\*Cost-Sharing Agreements:\*\* Centralized tools, HR, insurance. - \*\*Property Management Agreements:\*\* REI ↔ MgmtCo.

## 8. Compliance Calendar

- \*\*Entity Filings:\*\* Annual reports, registered agents, foreign qualifications. - \*\*Trust Filings:\*\* Trustee accountings, funding checklists, IRS trust returns. - \*\*MgmtCo:\*\* Payroll filings, comp studies, 1120-S tax return. - \*\*401(k):\*\* ERISA compliance, Form 5500. - \*\*Foundation:\*\* Form 990, 5% payout. - \*\*Insurance Reviews:\*\* General liability, landlord, E&O;, umbrella, fiduciary, cyber policies.

## 9. 90-Day Implementation Roadmap

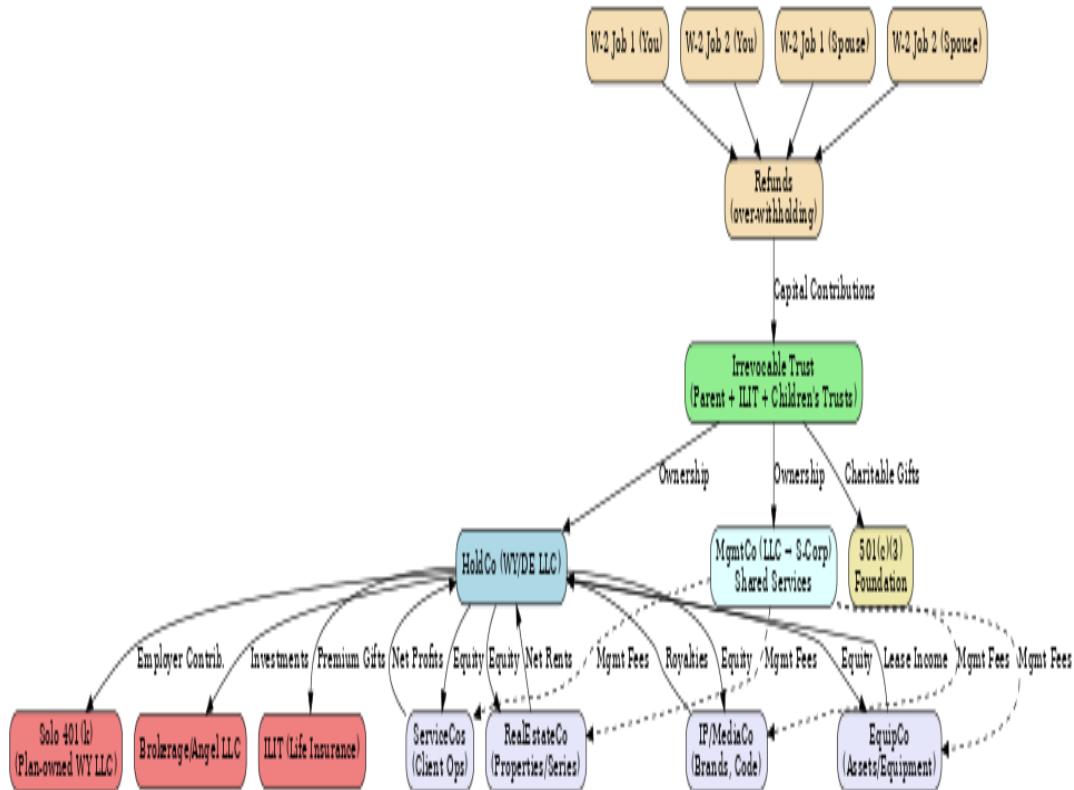
\*\*Phase 1 (Days 1–14):\*\* Draft trusts, form HoldCo & MgmtCo, governance charter. \*\*Phase 2 (Days 15–35):\*\* Form subsidiaries, execute intercompany agreements, open banking. \*\*Phase 3 (Days 36–60):\*\* Real estate structuring, Solo 401(k) adoption, seed investment LLC. \*\*Phase 4 (Days 61–90):\*\* Nonprofit formation, gifting to Children's Trusts, DB Plan feasibility, CRT evaluation.

## 10. Risks & Mitigation

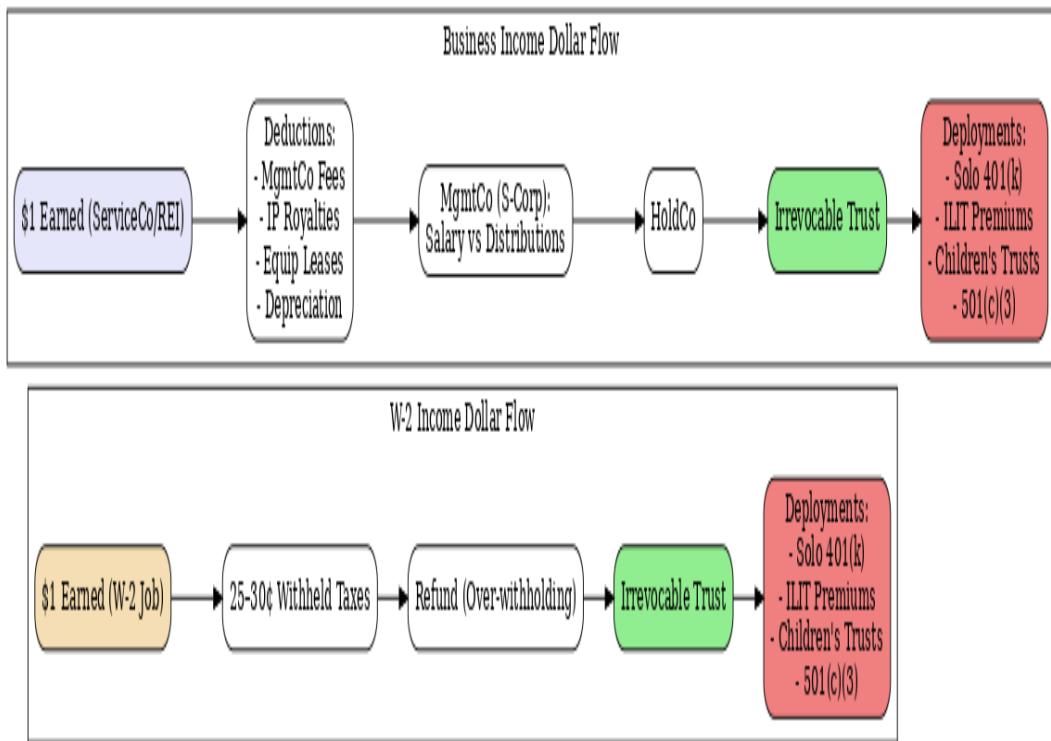
- \*\*IRS Audit Risk:\*\* Must document transfer pricing, MSAs, and compensation. - \*\*Commingling Risk:\*\* Separate bank accounts per entity/series. - \*\*Low Comp Risk:\*\* Benchmark S-Corp salary annually. - \*\*Prohibited Transactions (401k):\*\* CPA/ERISA review before deals. - \*\*Foundation Self-Dealing:\*\* Board training and conflict-of-interest policies.

## 11. Visual Diagrams

Corporate Structure Flow Diagram:



Dollar Flow Comparison (W-2 vs Business):



## 12. Professional Team & Criteria

- \*\*Estate Attorney:\*\* Trusts, dynasty planning, multi-state situs expertise. - \*\*Corporate Attorney:\*\* WY/DE/Series LLC structuring, intercompany agreements. - \*\*CPA/Tax Counsel:\*\* S-Corp comp planning, R&D; credits, REPS elections, CRT design. - \*\*ERISA Advisor:\*\* Solo 401(k), Cash Balance/DB plan compliance. - \*\*Valuation Firm:\*\* Appraisals for FLP/LLC discounts. - \*\*Insurance Broker:\*\* Liability, umbrella, fiduciary, E&O; coverage design.