



# CASE STUDY

High-End Spa



Nth Degree CPAs Help Online Marketer Save \$200,000  
in Taxes, Causing A Surprisingly Large Ripple Effect...



**Nth Degree CPAs**

[www.nthdegreecpas.com](http://www.nthdegreecpas.com)

When an online marketer approached Nth Degree to plan for their tax liability, they discovered an opportunity to offset their business profits through short-term rental investments. But that was just the beginning.

## About the Client:

Our client is an online marketer generating approximately \$2.5 million in annual revenue. When they engaged our financial services in May, they were facing a potential tax liability of \$200,000 and were seeking guidance on tax planning strategies.

## The Challenge:

Our client felt that introducing real estate into their investment strategy might help reduce their \$200,000 tax bill and also aid in future tax situations for years to come. Before speaking with Nth Degree, they were introduced to a short-term rental guru who partnered with his clients to invest in properties. This guru managed a portfolio of around 200 properties.

Unfortunately, the guru's accountant wasn't performing at the same level as Nth Degree and failed to properly categorize these rental properties, meaning our client, and all of the other guru's clients, was about to miss out on the valuable write-offs they were looking for.



## The Nth Degree (UN)Conventional Approach:

Our team at Nth Degree reviewed the tax returns prepared by the short-term rental guru's CPA, who, despite "specializing" in short-term rental tax filings, missed a pivotal element.

We discovered the critical error: the CPA had reported the rental income on Schedule E (real estate) instead of Schedule C (business).

This distinction is crucial because short-term rentals are treated as businesses by the IRS, allowing investors to claim losses through accelerated depreciation without requiring Real Estate Professional Status (a threshold most business owners can't reach unless they make real estate their full-time gig).

## The Solution:

We brought this error to the attention of the CPA, citing the IRS guidance that clarified the proper reporting of short-term rentals. As a result, the CPA had to amend the returns for not only our client but also the guru's 200+ other investment partners.

## The Impact:

Our client saved \$200,000 in taxes, and hundreds of other investors benefited from the proper tax treatment of their short-term rentals. This case demonstrates the value of proactive tax planning and the importance of working with advisors who actually stay current with tax law changes (which is much more rare than you'd expect).

200+ investors experienced a win thanks to our efforts.



## The Counterfactual:

Had we not caught this error, our client and the 200+ other investors would have likely continued to overpay their taxes, potentially for years to come. This oversight could have cost them collectively millions of dollars in lost savings and missed investment opportunities. Shudder.

## The cool part?

The cool part of this story is that the money saved extended far beyond our client. By identifying and correcting this error, we were able to create a ripple effect that positively impacted hundreds of other investors, showcasing the true value of expert tax planning and advisory services.

If you're a business owner or investor considering short-term rentals or other complex assets, it's crucial to work with a team of advisors who deeply understand the tax implications of your specific situation.

By staying up-to-date with the latest tax laws and guidance, you can identify opportunities to minimize your tax liability and maximize your wealth for years to come.

If your business does \$1M - \$10M/year and you'd like to explore investing in real estate for wealth creation and tax mitigation, you may consider [booking a call](#) so we can see if you're a good fit for our services.





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