

## THE TAX ADVANTAGES OF A HOME-BASED BUSINESS

### “PERSONAL TAX-SAVINGS STRATEGIES”

*The best means for saving taxes for the average American is to operate a home-based business. In fact, if you do not currently operate a home-based business you are over paying your taxes by thousands of dollars each and every year.*

*By operating a home-based business and keeping good books and records, any taxpayer can legally convert a major portion of their non-deductible personal expenses into tax-deductible business expenses and immediately increase the amount of their hard earned dollars they get to keep each and every year. Dollars that can be converted to personal savings and that can be put to work to build wealth for you and your family!*

The IRS requires you to do primarily three things in order not to be classified as a hobby.

1. Show intent to make a profit. ( e.g. Purchase business cards, etc.)

**2. Work your 'Home-Based Business' 3 to 5 hours per week. (document your efforts such as keeping a log of activities)**

**3. Keeping accurate records of mileage, keeping receipts with notes on the receipts and logging all expenditures.**

**The estimator below is designed to only provide you with an estimate of your annual tax savings. Actual results will vary and depend on the individual taxpayer to record and document all deductions in accordance with IRS rules and regulations.**

### **Tax Savings workshop:**

**1. The average miles driven each year is 12,000 miles. Multiply this number by 65% (.65) 7,800. This number represents The number of miles the average person Can convert from non-deductable personal Miles to tax deductible business miles. Multiply this number by \$0.50 cents and**

**Enter to the right:**

**\$ 3,900.00**

**2. Do you and your spouse have cell phones, pagers and PDS's? If so, enter your total monthly average expense here: \$ 125.00. Multiply this number by 12 and enter to the right: \$ 1,500.00**

**3. Do you have a computer that has monthly internet and service fees? If so, enter your total monthly expense here: \$44.95. Multiply by 12 and enter to the right: \$ 539.40**

**4. Do you like to go out to the movies, sporting events, hunting, golfing, fishing, or other similar activities? What is the average amount you spend on a day or evening activity? Enter the amount here: \$ 150.00. How many day or evening outings do you participate in, on average, per month? Enter the number here: 2 and multiply this number by 12 months which equals 24. Now multiply that number times your average cost per event of \$150.00. Enter amount to the right: \$3,600.00**

5. Do you purchase newspapers, magazines, books and on-line media? If so, enter your total monthly expense here: \$ 10.00  
Multiply this number by 12 and enter to right: \$ 120.00

6. Do you like to entertain friends and family members in your home? Estimate the cost of one evening of entertaining friends and family members in your home. \$ 250.00. Estimate the number of times you entertain during the course of the year and enter that number here: 8. Now multiply your average cost of \$ 250.00 times the number of times you entertained of 8 and enter to the right: \$2,000.00

7. Do you purchase gifts or other items for your spouse during the year that exceeds \$500.00? If yes, enter \$500.00 to the right (these are gifts you give to clients):  
\$ 500.00

8. Do you own a boat, camper, motor home or other recreational vehicles? Estimate your annual operating expenses, including park or parking fees, annual maintenance costs, fuel costs, etc. Enter your annual estimated expenses to the right: \$ 2,400.00

**9. Do you purchase season tickets to sporting events, Broadway plays, or other events? If yes, enter the amount to the right: \$ 600.00**

**10. Do you pay for all or part of your current health insurance costs? If yes, enter your annual cost of health insurance here: \$ 3,360.00. Do you pay any out-of-pocket health care expenses for your family, such as co-payments, deductibles, or drug costs not covered by insurance? Enter this number here: \$ 425.00. Does your family have any dental expenses, including braces not covered by insurance? Enter this number here: \$360.00. Do you have any vision expenses associated with eye care, such as contacts, glasses, etc.? Enter this number here: \$375.00. Add up all of your out-of-pocket medical expenses and enter to the right: \$ 4,520.00**

**11. Estimate the average amount of money you spend on each of your children per month. This amount should include spending money, sport and team fees, camps, eating out including school lunches, trips to the mall, etc. In other words, all expenses that are above the amount you pay for normal support such as housing and meals at home. Record your average amount here: \$\_\_\_\_\_. Multiply this number by 12 and enter here and below in ITEM number 12. \$\_\_\_\_\_**

12. How many children do you have between the ages of 6 and 18? Enter the number of children here: \_\_\_\_\_. Multiply the number of children by the total from question number 11 above here: \$\_\_\_\_\_ and enter to the right: \$\_\_\_\_\_

ADD UP ALL THE NUMBERS IN THE FAR RIGHT-HAND COLUMNS AND ENTER THE TOTAL TO THE RIGHT:

\$ 19,679.40

*Now the numbers above represents the estimated amount of new tax deductions you can expect annually by operating a home-based business.*

*This doesn't even take into consideration that all of your vacations are also TAX DEDUCTIBLE, if you keep good records and work your business while on vacation.*

*Now let's calculate the average amount of actual tax savings you could expect the above deductions to generate on your actual tax return. Multiply the total in number 12 by 30% (.30) and enter this amount to the right:*

\$ 5,903.82

**ALWAYS CONSULT YOUR TAX ACCOUNTANT TO KEEP WITHIN  
THE GUIDELINES OF THE IRS.**

