

Why You Should Have a Home Business?

"It is anticipated that by the year 2009, 80% of households

in the US alone will be involved in a home business"

- Newsweek Magazine -

As you can see, home based business are gaining in popularity in America. This is especially true now because the IRS has recently re-instituted the home business tax deduction which allows home business owners to deduct up to \$5000 per year in business expenses off of their income tax. This means that **you can start a home business and not make a dime with it and still be able to come away with an extra \$5000 in your pocket at the end of year!**

"A home based business is the best tax shelter left in America"

Sandy Botkin (IRS Attorney & Tax Reduction Institute Chairman)

This is a very serious and important part of your home based Business., I talked with an affiliate and last year she had \$14,000 taken out of her JOB check thru the year.. By using her home business allowable tax deductions she got a Tax REFUND of over \$11,000 that she would not have gotten without her home business deductions. Michael in Dallas told me that with his and his wife's income last year before applying the home business deductions they owed an additional \$6,000. AFTER the home business deductions were taken, they received a \$5,000 REFUND, or a FREE FUND! :-)

Always consult a PRO-Active Advocate of home based business deductions when choosing your cpa or accountant for the current year update that you are filing for.

Marvin D. Krueger, CPA, CMA : April 12, 2003 listed over 50 ways you can document and deduct business expenses from your U.S. Income Taxes, and added 8 overlooked areas.

The IRS requires written documentation to qualify for the deductions. NOW is the time to start keeping your receipts!

Where applicable, here is his list of potential deductions for your business:

Your kit . Any initial starting kit can cost up to \$500 to \$1,000 or more and is deductible expense that actually starts your business.
(Use your Credit/Debit Account documents to document the investment, or your canceled check, etc.)

Your Marketing Tools . In order to understand and market your products, you need to use the company brochures and promotional material as well as the training material, quick start packs etc.. (Keep receipts for all purchases, keep for tax time.)

Your Monthly Fees . The \$XX.XX/ monthly web-site fees, the monthly website charges etc. are deductible business expenses. Since many of the benefits from using your online business come in the short and long-term, we must become a "product of our product", and by using the plan allows us to have our own testimonies and increases our belief and confidence in the value we offer our members.

Your Home Office . Create one area in your house to do your business from. It can be out of a closet, a desk in the corner of a room, a full room, or an office created out of some of your garage space, the only requirement is that it be used exclusively for business. If your desk is in the TV room, you can't deduct the whole room, just the area that you actually work in. The percentage of the house used for business calculates the part of the following that you can deduct from your taxes: (Document with receipts.)

Rent (If you own your home with the bank, the interest, taxes, etc. are applied elsewhere)

Electrical Bill

Sewer Bill

Insurance (not deductible at all, unless you have a home business!)

Cleaning Service (as long as they clean where you office is too!

Garbage service

Water Bill

House Repairs

Landscaping (if people come to your house on business)

Personal Training Expenses. (Document with receipts)

Seminars Attended

Books

Cassette / CD programs

Series tapes/CDs

Training Conference calls

Advertising Expenses.

Giving a gift? If your company's product, or company's gear, treat as Advertising.

Newspaper ads

County Fair / expo booth fees.

Flyers

Product Samples

Company Literature

Reproduction costs (photocopies, etc.)

Labor Expenses paid to your children for Business related work. Keep track of what is done, and how much paid, pay by check, canceled check is proof. NO SSN OR INCOME TAXES need to be paid on your children!

Emptying the Garbage

Mowing Lawn, other Landscaping

Cleaning your office.

Filing.

Computer work (Most kids are better at computers than we are!)

Envelope stuffing/postcard stamping, other mailing tasks.

Other business related items.

Business Travel.

Convention Travel to pre-arranged presentations. Going to visit your sister?

Put an ad in their local paper two-three weeks before, coordinate several appointments, and your trip is deductible (within some limits). Is your wife /husband going? Are they working with you in the business, and will they be at the appointments? Their trip is deductible too!

Air fare, train fare, and car mileage.

All "fees" related to travel – parking, tolls, security, etc.

Meals while on the trip (subject to limitations).

Entertainment expenses (subject to some rules and limitations)

Out of area training.

Office Expenses.

Paper clips, printer paper and toner, light bulbs, pens, pencils, highlighters.

White boards, easels, presentation flip charts

Furnishings (Chairs, desks, lamps, carpet, etc.)

Equipment (Computers, printers, fax machines, PDAs, phones, etc.)

Phone bill (If you only have one phone, only the long distance calls related to business, the IRS believes that one line is a 'necessity' and will not allow that as a deduction).

Special services on your phone bill (Three-way calling, call waiting, voice mail)

Second line used for business. (Document business usage by adding to your business card/stationery)

Cell Phone. (Document business usage by adding to your business card/stationery)

ISP account and e-mail. (Document business usage by adding to your business card/stationery). (Document fees by printing billing)

Data processing costs for business report.

Postage for business mailings.

Business Meals. When you do a presentation at a restaurant/coffee shop, pick up your receipt! This is a deductible expense (50%)

Celebration Expenses. Giving a party to celebrate? Make it a business event. Invite your business associates/prospects and deduct the entire cost! (Make sure you celebrate your business!) Document via receipts and invitation list, have attendees sign a "guest book" to document who attended.

In-home expenses.

Baby Sitters

Product cases (for carrying display product in/out of house)

Demonstration supplies.

Assistants (read: your children, if old enough)

Food provided (100%).

Snacks/Tea/Coffee/Attain Shakes (100%)

Mileage to/from presentations, training events, Product Launches, etc. (50¢ per mile this year!) Document with mileage log. Do for three consecutive months, or three like periods, extrapolate totals to full year (multiply by four). IRS requires some sort of logical, written documentation of this. If your day planner does not have a good sheet for this, check out on the web for one, or make your own. It needs Date, purpose, start mileage, end mileage, total mileage on the trip, and total mileage for the month. You will also need the year's start and ending mileage numbers off of your car's odometer for the tax form.

Now for some "general" tax issues that you should be looking at, if not using:

401K. Usually set up by an employer, often with matching funds. If you have the option, you should be contributing. Start low on the percentage scale and move up with each raise (add 1% to your contribution). Your contribution is not taxed until you take it out, and if your company is matching a percentage of your contribution, you are almost guaranteed to come out ahead!

Hope Credit. Designed to help pay for the first two years of college for yourself or your children. 100% of the first \$1,000 and 50% of the next \$1,000, for a total credit potential of \$2,500! Student must be enrolled at least half-time, and in a program leading to a recognized credential or degree.

Lifetime Learning Credit. Covers up to 20% of the first \$5,000 spent on updating or learning a new job skill. Maximum credit per year of \$1,000 per family (Husband/wife).

Car Lease. Look at the lease/purchase decision VERY carefully! Usually the lease option is best for those that do not drive a lot, because the lease penalties for going over the anticipated mileage are very severe. (We have a friend who parked his leased car for a year to get the mileage back into the lease zone, and he still had to pay the lease and insurance on the car!)

Want to help your grandchildren who don't live with you? Set up a Coverdale Education Savings Account for them. You can contribute up to \$2,000 per year, and the money can be used for college or qualified Kindergarten – 12th grade expenses also (read that "Private School". Also check out your State and Federal "Section 529" savings plans.

If you're concerned about Capital Gains on the sale of your home. Don't take the depreciation part of the Home Office Deduction. Up to \$500,000 of the Capital Gains is fully tax sheltered, if you have lived in the house for at least 2 years.

Staying at a Friend's house while on business? Give them a gift in return, and deduct the amount as lodging for the trip. Cash or product are both OK (of course, give a gift of your business, especially if they are not yet customers, it breeds interest!) Limitation: Cannot exceed the cost of average hotel room in the area. (You can get the government's idea of "average" for an area by searching for the US Government "per diem" rates on the Internet).

Taxes are a VERY complex issue, & no widespread communication like this would be complete without the "boiler plate" disclaimer:

All of the above information is advisory and educational. It MAY NOT apply to you and your circumstances in any given year. If you have any questions about your specific situation, consult a qualified Tax Professional.

Finally, YOU know your personal situation better than anyone will from a 45-minute interview at tax time. I would highly suggest that you purchase a copy of TurboTax or its equivalent and prepare your own taxes, for organizing yourself before visiting your tax professional for the final "tweaks" and areas the program does not cover. It will save you LOTS of money, either way, and is tax deductible to boot. ALWAYS interview and do your Due Diligence in finding a Pro-Active advocate of Home Based Business deductions!

I learned of the Hope Credit through the tax program: \$325 credit. (1,000% return on the TurboTax investment!)

If you have your taxes "done" each year by a professional, the time spent organizing your paperwork for a computer tax program will:

Reduce your fees, because the accountant will save time by not having to organize them for you.

Raise your knowledge level so you can give your accountant all he/she needs to qualify you for ALL the deductions you deserve.

Allow you to better evaluate your accountant's services, as they relate to your situation.

Improve your filing system to reduce your time and fees even more for next year!

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To your success!

Lloyd Dobson