Money Matters

CHEAP TRICKS

Home sweet home business

by Martin M. Shenkman, CPA, MBA, PFS, JD

Running a business from your home can be a great way to stay active, do something you enjoy, and make money. A home business might be the ideal way to stay employed.

be the ideal way to stay employed in spite of MS fatigue or other symptoms that make traditional employment difficult.

But don't assume that you can ignore all formalities because it's "only" a home business that you run in your jeans and t-shirt. If it's a real business you need to treat it as such.

and at minimum review your filings and payments to make sure everything is done right.

Protect yourself and prevent lawsuits

As your own boss, you

to, keep overhead to a

can nap when you need

minimum, care for young

children, and more. But it

also means you need to

be prepared.

Welcome to the real world. It's not MTV where beautiful strangers magically get along. Irate customers, injured workers—almost anyone can be a potential plaintiff.

Have an attorney in your state set up a business entity for you. The most common entity used is a limited liability company, called an "LLC," but there are important tax and legal nuances that can differ by state.

If you operate within the framework of an LLC, if someone sues you they should not be able to reach your personal assets (e.g., your home and life

savings)—just the assets of your business LLC. But simply forming an entity is not enough. And don't do it online. **Get a real lawyer**—no cheapo Web site is going to give you real legal advice.

Here's what you'll need to do:

- Be sure the entity is properly formed and that you have filed any required annual reports. If in doubt, get a "Certificate of Good Standing" (some states use different names) to prove your entity is alive and well.
- Obtain and sign all other legal documents you need. This might include an operating agreement (the legal document governing how the entity operates), annual minutes, or a consent.
- - File all taxes required for the entity.
- Never commingle LLC business funds with personal funds. You must have a separate LLC bank account.
 - Treat your home business/LLC as if it were

Uncle Sam wants you!

To pay your taxes, that is. (Nothing like a little family warmth, eh?)

Get an accountant to help you understand and comply with the myriad of taxes that might affect your home business. These may include:

- Tax Identification Number. You'll need to get a tax identification number, also called Employer Identification Number—TIN or EIN, for short. If your business is organized as an entity (see **Protect yourself**) that entity will have to get a TIN. If you're running the business yourself, you might have to get one to use for payroll taxes, etc.
- Estimated tax payments. If you are not an employee subject to payroll withholding taxes, you may be obligated to pay quarterly estimates. Failing to do so can trigger interest and penalties on the underpayment.
- **Sales tax.** If you're selling a product, or providing a service, your local tax authorities may require that you collect and remit sales taxes.
- If you hire employees you may have a raft of payroll-related taxes to pay to federal, state, and local authorities.

The bottom line: Hire a CPA to get you started,



a business owned by a stranger. Adhere to all the formalities and details you would if it were Attila the Hun's business, not yours.

• If you give money to the business it should be in the form of a formal capital contribution or a loan. Loans should have a written loan document, maturity date, and reasonable interest rate. If your business LLC operates out of your home, sign a lease between your LLC and yourself for that use.

Be sure to insure

A home business may not be covered by your regular homeowners insurance. In some cases an inexpensive rider to your existing homeowner's policy may be all that is necessary to obtain coverage for a home business. Depending on the policy and the scope of your business, you may need additional independent coverage.

Insurance is not a place to cut corners. If the costs are too high, consider a higher deductible, or perhaps scaling back some riders with the guidance of an insurance consultant, but don't forgo coverage!

Tax bennies

Home businesses can provide valuable tax benefits, including

allowing you to deduct some
of the cost of maintaining
the portion of your home in
which the business is located.
The rules are wildly com-

plex—another good reason to hire that CPA. To qualify:

• The space in your house must be used exclusively for business. This means your kids can't watch SpongeBob reruns in the same room as the business. If your business is a daycare business,

this rule is relaxed. Also, if you use an area for storage of inventory and your home is the only business location, some leniency is provided.

- The space in your house must be used regularly for business. Regular use means you use that area on a continuing basis. Occasional use won't fly.
- It must be a principal place of business. This is the most commonly met test. If you have more than one location, the relative importance of activities performed at each location is considered. The time spent at each location should be considered.
- A place to meet or deal with clients and customers in the normal course of your business.
- If the space is separate from your residence (e.g., a garage you converted to an office or business warehouse), it must be used in connection with your business.



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Practical Planner, see Martin's Web site: **laweasy.com**. © Law Made Easy Press, LLC.

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The National MS Society has created a number of engaging and up-to-date Web, print, and video resources to help people with MS make the most of their employment options.

At **nationalmssociety.org/employment** you'll find links to Society and Government resources, including:

Web pages:

- Disclosing Your MS in the Workplace
- Knowing Your Rights
- Workplace Decisions

Other online resources:

- Job Accommodation Network (jan.wvu.edu)
- ADA and Business Technical Assistance Center (adata.org)
- MS Workplace (MSworkplace.com) for posting résumés

Brochures:

- Should I Work? Information for Employees: General overview of the employment issues that might concern people newly diagnosed
- ADA and People with MS: What the Ameri-

cans with Disabilities Act means in employment, public accommodations, and more

- The Win-Win Approach to Reasonable Accommodations: A practical guide to obtaining workplace accommodations
- A Place in the Workforce: On employment strategies and options, including home businesses
- Focus on Employment: Covers disclosure, Americans with Disabilities Act, fatigue and cognitive issues on the job, and telework options
- **Information for Employers:** For people to give to their employers if they decide to disclose their MS

DVD:

• Career Crossroads: Employment and MS: A six-part series designed by MS and employment experts, covering "Working With MS," "The Law's on Your Side," "My Little Secret," and more

For printed copies of any of our materials and to learn about upcoming Career Crossroads programs, call your chapter at 1-800-344-4867.