

## BEST PRACTICES FOR HOME BASED BUSINESS

Starting a home-based business is exciting, and with planning, organization, and determination you can establish a solid foundation. It is well established that entrepreneurs who start a home based business achieve some real advantages when it comes to protecting the income that they make. For example, the IRS gives home based businesses some special treatment that every entrepreneur should be open to understanding. Listed below are some tips for building a home-based business, and as always, we recommend consulting a tax advisor to take advantage of these concepts as they apply to your particular business.

When operating a business out of your home, you can elect to operate in many different kinds of legal structures and depending on the structure you choose, you may have annual filing requirements with the Secretary of State's office for your state or with other government agencies. As noted above, it's recommended that you seek professional advice as you structure and operate your business.

**1. Home Office:** If you live in a neighborhood that has a Home Owners' Association ("HOA"), you should review your HOA's bylaws to ensure there aren't any restrictions about operating a business out of your home. Likewise, it may be advisable to check if there are any zoning laws preventing you from running a business out of your home.

Once you've established that you can operate your business out your home, set up a dedicated office area. For example, you may have a guest bedroom that can be converted into an office or you can set up a partition to create a designated office space in one of your rooms.

**2. Be Professional:** One of the benefits of a home-based business is setting your own schedule and working when you want to work. However, the flexibility of working from home can present some distractions. To avoid being distracted in the middle of the day, try setting a schedule for your workday and prioritizing your tasks. Additionally, do your best to maintain a professional appearance and demeanor when interacting with your customers and prospects.

**3. Prepare a Business Plan:** Develop a plan for your business: daily activities, short term and long-term goals for each month in your first 12 months. Consult with your upline in setting performance goals and key milestones for building your business. As you grow, be available to do the same for members of your downline.

**4. Potential Tax Advantages:** Many entrepreneurs take advantage of deducting expenses related to their home when operation a home-based business. Be sure to maintain records and receipts of the expenditures related to your business. Some common deductions are listed below, but always remember to take the time to discuss the options available to you with a tax professional.

- **Office Supplies:** When you spend money on supplies for your office, directly related to your business, you should always keep the receipts, and recording these and other expenses on a monthly tracker sheet will reduce the amount of work related to your tax preparation and filing when the deadline comes. Office supplies can be things such as paper, pens, tape, folders, legal pads, etc. that you use for your work in your home office.

- **Furniture:** Any and all furniture you use in your home office such as desk, chair, tables, book shelves, filing cabinets, etc. should also be included in your records. The IRS has certain rules for capital assets used in your business that could be very favorable to you.
- **Equipment:** Items such as computers, copiers, fax machines, and scanners are also items that you should keep receipts for.
- **Mileage:** Virtually all businesses, even home-based businesses, require you to have transportation. This is very true for direct sales associates in that much of your work involves meeting up with people and sharing the products or the business opportunity. Best practices would suggest you keep track of all the miles you put on your car as you “do the business.” If your business involves driving places, you can track your mileage to and from your house for all of your business activities. Keeping a log and “who, what, where, when, why” is important data for each trip. Always keep track of December 31 mileage on your vehicle as it is the ending mileage for that year, and the beginning mileage of the next year. The IRS publishes a rate you can use that covers gas, oil, depreciation, etc. so you need not calculate that on your own. Keeping track of other expenses such as parking costs, tolls could also serve you as you prepare your annual taxes.
- **Travel and Meals:** When you are traveling, many of your expenses may also be deductible if the trips are in some part for your business. These kind of expenses include but are not limited to: hotel, air, auto, as well as costs associated with travel like dry cleaning, rental cars, tips, etc.

All meals are not treated the same but can be partially deductible if they fit within the rules outlined by the IRS. So again, it will serve you to get proper tax advice on these issues as to maximize your deductions. Practice the “5 W’s” by writing this information down on all receipts/daytimers to keep track of these expenses: Who What Where When Why.

**5. Tracking your business expenses:** A great business practice is to develop a FORM that lists all the categories of possible business expenses, and at the top says “MONTH OF \_\_\_\_\_”. At the beginning of each month, you fill in the Form with all expenses related to the prior month, and drop the completed Form and related receipts in a manilla envelop labeling the outside “MONTH OF \_\_\_\_\_.” At the end of the year, you have 12 envelopes and your tax return preparation can be very simple as well as your record keeping.

Finally, don’t get discouraged! Building a business can be challenging, but the rewards you reap—professionally, personally, and financially are worth the effort. This is just a brief summary of some best practices you can implement as you start your Mannatech business. Again, you should consult a tax advisor or other professional to maximize the benefits of building a home-based business and to keep apprised of any changes in the tax or other laws that affect your business.