



Client Articles

Home: Where the Business Is

Description

Today, running a business out of your home makes more sense than ever. But is it right for you?

A 2007 Census Bureau survey showed that more than half of all business owners run their company primarily out of a home.¹ And today, that may be on the low side, given recent advances in mobile and wireless technology, as well as the cost-cutting realities of a low-growth economy.

If you're considering running your business out of your home, there are a number of considerations you'll want to take into account.

Is It Legal?

Perhaps the first issue you'll need to address is making sure your home business meets zoning regulations and that any required licenses or permits are obtained. Many municipalities and condominiums restrict home business activities. If customers will come to your home, you may need to consider parking, disability access, and display of advertising. You may need to amend your homeowner's insurance policy to cover commercial activities.

Technology

The significant advances in Internet technology and home office equipment in the past 10 years have made working from home realistic for a growing number of people, but there are technology issues you should consider. Find a local support person you can rely on to resolve systems issues quickly and effectively should the need arise. Save your work often, back up your files regularly, and make sure you have an alternative should your computer suddenly crash. Since high-speed access to the Web is a necessity for most home businesses, check with your local phone and cable company to see what's available.

Taxes

If you operate a business out of your home, the IRS may allow you to deduct certain expenses -- such as phone, Internet hookup, a portion of your rent or mortgage -- based on the percentage of space in your home that the office occupies.² To qualify, the home office must be used exclusively for business; a guest room or other shared space will not qualify. The key to claiming any of these deductions is to prove that they are necessary for and confined to business use.

Living Considerations

You should also consider how the work-at-home arrangement will fare from your family's perspective. Will there be tension if you're home all day? Will your presence cramp your family's daily activities? How will your family interact with clients or employees? Many former work-at-homers cite family conflicts as the reason working at home didn't work, so make sure to give this issue serious thought and discuss it with your family.

Finally, consider your daily interaction -- or lack thereof -- with business associates and employees. Depending on the nature of your work, you may find yourself isolated and miss frequent interaction with others. Many people need the social outlet that an office environment provides and may be uncomfortable spending long hours alone.

Source/Disclaimer:

¹ Source: The Wall Street Journal, "My Home Is Not Your Home," November 14, 2011.

² Mortgage interest and property taxes are also deductible under Schedule A and cannot be deducted twice.

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