

Legal and Tax Opportunities for Baby Boomers Starting and/or Running Their Own Business

For those HomeServicesLink members who are baby boomers, there is a high probability that this is a dynamic time in your professional life. Many of us are changing careers, starting businesses, growing existing businesses, taking on partners, pondering self-employment or perhaps simply retiring or semi-retiring.

In addition, we often have the compounding effect of dramatic changes in our personal lives- children leaving the roost, grandchildren arriving, downsizing our residence or perhaps just making our existing home more comfortable and realistic for our later years.

Given these factors, HomeServicesLink wants to make it a point to insure that its members are up to date on legal trends and factors which might be of relevance to you. Here's a couple:

1) Are you taking full advantage of the tax deduction for a home office which may be available to you if you have your own business?

You may be able to take a home office deduction if:

- a) **Exclusive use** of office for business (some boomers are backing into meeting this requirement because the kids are gone and no longer need to come into dad's or mom's office to do their homework!), and
- b) **Principal place of business is home office** (there can still be other places of business as long as most of the administrative work is done at the home office; don't necessarily have to see customers or outsiders at home office),and
- c) **Regularly used** – have to use for business on a continuous basis, and
- d) **Business needs to generate revenue**- deduction can only offset revenue from the business the office is used for

If you find your home office meeting the above criteria, you may have an opportunity to deduct the portion of your home utilities, insurance and other expenses attributable to the office space.

Don't let your home be an underutilized business asset! HomeServicesLink can put you in touch with several contractors with expertise in the remodeling necessary to meet these tests and otherwise help you maximize your office efficiency.

2) How you thought carefully about the legal structure you use for your business?

It's worth taking the time to consciously think about, and explore with experts, the pros and cons of the legal structure you select for your business. For example:

a) **Sole proprietorship** – just you doing business, sometimes with a “doing business as....” trade name.

Pros

- Simple; no formalities claims
- Straightforward taxation

Cons

- No personal liability protection; all business claims go directly against you individually

b) **Corporation**- subdivided between “ C “ corporations and “subchapter S” corporations

Pros

- generally, protection from personal liability
- Well understood structure for bringing in investors
- Subchapter S corporation avoids double-taxation

Cons

- Double taxation (corp. pays tax, then employees and shareholders pay tax again personally)
- Formalities to form and maintain
- Subchapter S corporation has several restrictions

c) **Limited Liability Company (LLC)**- most states, including Ohio, now allow for this relatively new structure which provides the best of all worlds

Pros

- generally, protection from personal liability
- no double taxation
- very flexible, versatile

Cons

- taxed as a partnership- can be complicated
- relatively new, terms unfamiliar to many (unlike which are well understood)
- some investors will shy away from

This is no right or wrong answer to the appropriate legal structure for your business. It depends upon factors like the nature of your business, your tax structure and your future plans for growth. It is well

worth your time discussing these factors with a professional who is experienced with helping you weigh these factors.

Hopewell Legal Solutions is offering HomeServicesLink members a free , 30 minute , initial consultation on legal questions relating to business law matters of any sort. Craig Hopewell has 30 years of experience in corporate and business law matters. Feel free to email your situation to Craig at cshopewell@cinci.rr.com. Give your phone number and mention HomeServicesLink and Craig will get right back to you for your free business law consultation.