

How the IRS **Paid Me** to be a Network Marketer



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[The Network Marketing Machine](#)

Distributed By:

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[Discover the Secrets to Network Marketing](#)

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Self-Employment

I suppose the first question that came to mind when you saw the headline to this document was “How’d she do that?” Well let me tell you, the US government loves business, and encourages private entrepreneurialism by offering tax deductions to business owners.

And I suppose the next question that may have popped into your head was “As a network marketer, am I really a self-employed business owner?” The answer is YES!

The biggest area that most people get into trouble is when establishing their network marketing business they start to co-mingle their personal income and expenses with their business. Keep these separate at all times, and you stand the best chance of avoiding any challenges.

Being self-employed comes with a whole host of tax-related advantages and savings. In fact, being self-employed is considered by many to be one of the best tax strategies of our time.

Self-employment allows you full command of your tax situation and, with the right knowledge, you have much more control over the amount of taxes you pay or don’t pay.

The number one tax strategy for middle-income individuals is to start a small business. Following are some tips for making the most of your self-employed status:

- Everything you spend to support your business is a valid tax deduction. This includes:

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- All necessary and ordinary business expenses
- Home Office
- Business Phone
- Cell phone
- Fax
- Answering Machine
- Hosting Accounts
- Outsource Expenses
- Internet Connection
- Software and Digital Products
- Education Resources
- Mentoring and Personal Development programs
- Seminars
- Business Travel
- Membership Sites Used for Your Business
- Advertising Expenses
- Website Development
- Graphics
- Computer and all Peripherals
- Printer Ink and Paper
- Pens, Markers, Staples, Paper Clips
- Filing Cabinet and Dividers
- Desk and Chair
- Chair Mat
- Tax Preparation
- Vehicle maintenance
- Car Insurance
- Fuel expense based on miles traveled to meet with prospects
- And more...

- Probably the most important advice you can utilize as the owner of your own business is to keep thorough and accurate records. Be certain to keep all of your receipts and make sure you have the documentation to support any tax deductions you claim.
- Do you have children? Just because you work from home, or for yourself, doesn't mean you don't need childcare while you are working. If your children are in childcare, take advantage of the deductions allowed for childcare costs.
- Do you enlist the help of family members with your business? Why not make it a family affair? Employ your family members legitimately and you can smartly manage their medical expenses and retirement assets. Certain types of incorporation structures accommodate these tax saving strategies. Is your business incorporated?

There are certain insurance strategies that allow for excellent health management cost reductions called a Health Savings Account, or HSA for short. Have you considered the benefits of this strategy for your business?

- Let's talk about your workspace. Whether you work from a full office in your home or a nook in the basement, you can claim the area. Determine which percentage of your home your workspace makes up. Depending on your circumstances, you may be able to deduct this percentage from your rent or mortgage and your utilities.

You cannot create a loss in your business solely through the use of home office expenses. You can however, reduce your income to

zero, thus reducing your income tax and your self-employment tax. Plus, any expenses not claimed in the current year can be carried over to the next.

- Do you use your car for business? If your office is in your home, chances are you do. Do you pick up office supplies, make bank deposits or meet clients out? Any driving you do that is tied to your business can be taken advantage of as a tax deduction.

How about car insurance? Don't forget to speak with your insurance carrier about how to properly disclose how you use your vehicle for business purposes. You could avoid disastrous consequences by clarifying your vehicles use for business before something accidental happens.

And, finally, be knowledgeable in tax laws. The Internal Revenue Service (IRS) is very aware of the many tax advantages of self-employment, thus it is an area they are subject to keeping closer tabs on. So, study the forms and instructions provided by the Internal Revenue Service (IRS). If in doubt, don't hesitate to enlist the aid of a professional tax preparer or Certified Public Accountant (CPA).

Monthly Tax Preparation

You can hire a CPA to do your monthly accounting. All you have to do is save your receipts and turn over all invoices and receipts to him/her every month. But – you can reduce the time the CPA spends on your account by doing the monthly summarizing yourself. Put all your receipts in a manila folder with a sheet summarizing all your itemized income and expenses. By the end of the year, you should be organized and well on your way to a simple tax preparation process.

Tax Deduction Tips

Calculating Mileage

You can calculate your vehicle deduction using the standard mileage or the actual expense method.

The standard mileage is more commonly used because it's easier. Use a form to record your business related mileage on a daily basis. The IRS determines how much you can deduct per mile. As of January 1, 2009 the rate is 55 cents per business mile driven.

Using the actual expense method, you deduct the actual cost you incur each year operating your vehicle. This requires much more detailed record keeping, but it usually gets you a higher deduction. This includes depreciation you pay for gas and repairs (according to a tax code schedule). Your deductible costs include gas and oil, repairs and maintenance, license fees, insurance, tolls, and even car washing. If you use the car partly for personal use, you must multiply your actual expenses by your percentage of business use.

Business-Related Entertainment

In the "old days", you could write off 100% of every entertainment expense; until a few years ago, you could write off 80%. As of 2009, the rules have changed with only 50% of your business entertainment costs being allowed as a valid deduction. But remember, social events you create for your employees and their families are still allowed as a 100% tax deduction, so don't forget that company picnic or Christmas party!

Equipment Purchases

Capital equipment that has a use life of more than one year must be deducted over several years. This includes equipment that is used to produce a product or perform a service.

Personal equipment such as your computer, office furniture and equipment can be deducted in one year under Section 179. There is a dollar limit on how much you can deduct under this section and it has been reduced quite a lot in recent years, from \$250,000 in 2008 to around \$128,000!

Business Trips and Your Family

Did you know you could take your family with you on business trips and still claim your deductions? Yes you can, but you must be aware of what you can and cannot deduct. For instance, you cannot deduct the airfare for your family; only your fare is a valid deduction. And only expenses associated with your business can be deducted; you cannot deduct pleasure excursions your family takes that are not related directly to business purposes.

Part-Time Business

If you only work your business part-time, you can still take your business-related deductions. Realize there are strict requirements you must meet, such as business versus personal use. If you use your office for more than business – such as any type of personal use – you will not qualify for the deduction.

An example of this would be if you are using a spare bedroom as your office and you still use it as a bedroom, it's not a valid deduction.

Avoiding IRS Trouble

Most people get in trouble with the IRS due to poor record keeping – not dishonesty! The key to filing a valid tax return is the records keeping you setup to justify your expenses. Even if you hire someone to prepare your taxes, you are responsible for ensuring he/she completes the work correctly. If the IRS finds an error, you are responsible, not your tax preparer.

Keep all receipts and check records in a monthly envelope, sorted and clipped by category, such as:

- auto expenses
- rent
- utilities
- advertising
- travel
- entertainment, and
- professional fees

The IRS will be more likely to look into your deductions for travel, entertainment and car expenses first. Remember – every deduction you take must have a related receipt to explain who, what, where, when and how.

Incorporating Your Small Business

Start-ups are not afforded the same tax breaks as profitable corporations. If your new business is not profitable, don't even think of trying to split your income between the corporation and personal taxes.

In addition, incorporating can incur state fees as well as legal and accounting charges. California's fees are as much as \$800 a year, though these fees vary state by state!

For these reasons, it is normally suggested that you hold off on incorporating until you are consistently profitable.

Preparing Your Own Books and Tax Return

It may be your best bet to use an automated program like Quicken or QuickBooks to track your expenses. To assist you in preparing your tax return, it would be a good decision to invest in the companion product, TurboTax. And to be safe, you may also want to review the process with an accountant/tax pro to be sure you are using the system correctly.

When your business is in the black, making a profit that is, consider hiring professionals to do these functions for you. Plus, hiring a professional is a valid tax deduction and will give you more time to concentrate on the really important things, like running your business.

A couple of great sites for quick reference to the rules and regulations are www.IRS.gov and www.SBA.gov. And always consult your tax preparation professional before implementing ANY tax saving strategies.

For more tax-related information, visit the [TaxMama](#).

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