



Best Kept IRS Secrets For Direct Sellers

One of the DSWA's mission is to educate you on the basics of home-based business taxation so you can maximize your deductions and avoid being one of the self-employed Americans who collectively overpay their taxes by an estimated \$160 billion every year!

The ability to reduce your tax bill as a result of claiming legitimate business write-offs is one of the greatest financial advantages to having a home-based business. Here on this page, we will provide you with some of the best-kept secrets of the IRS - tax deductions that nearly every self-employed person is entitled to! This introduction will provide you with some tips for maximizing your business deductions so you can take advantage of this important benefit right away.

This could be the information you need to save thousands of dollars on your taxes this year!

IRS Secret #1: Take Every Legitimate Deduction You Can!

The most common business deductions are the easiest to document, yet many people don't take them for fear of sending up a "red flag" for an audit.

We're not saying you'll never be audited but let's look at facts. There are over 13 million direct sellers in the United States. There are also millions of other people who work from their homes as consultants, accountants, contractors, etc. all of whom could be selected for a home-based business audit.

Don't fear the red flag - simply have the proper documentation and complete your return correctly and you'll come through any future audit with flying colors!

IRS Secret #2: Documentation Is The Key

Virtually everything you legitimately spend to build your business is deductible as long as you take the steps to properly document your business expenses.

The most common business deductions are:

- ▶ Home Office
- ▶ Automobile
- ▶ Business Equipment

Because travel and entertainment are among the most common business deductions for direct sellers, we have dedicated an entire area to helping you maximize this important benefit. Be sure to visit the Travel and Entertainment page in the member-only Prosperity Center.

IRS Secret #3: How To Write Off Your Home Office

Most people don't understand what constitutes a home office deduction and therefore miss out on thousands of dollars in tax savings. Don't let your lack of knowledge get in the way of saving you money. Learn more about legitimate home office deductions and take the steps necessary to qualify for them.

How to Qualify for a Home Office Deduction

Use of your office space must meet these requirements:

- ▶ It must be used exclusively for your business
- ▶ It must be used regularly for your business
- ▶ It must also be at least one of the following:
 - Your principal place of business or a place where you meet or deal with customers in the regular course of your business or a separate structure you use in connection with your business

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Home Office deductions are reported on Form 8829 - Expenses for Business Use of Your Home.

IRS Secret #4: How To Write Off Your Automobile

Business use of your automobile is perhaps the most misunderstood deduction, yet represents hundreds of dollars in tax saving each year.

Options for tracking business use of your automobile

- ▶ The easiest method is called the "mileage method". You simply log all business trips in your car. The deduction will be equal to the total business miles multiplied by the mileage rate allowed by the government.
- ▶ If you use your car more than 50% for business, you can use the "actual expense method." You'll still need to keep a log of all your business trips, but you'll also need to keep a copy of all your car expenses for the year (gas, car repairs, license, etc.) Your deduction will then be the total expenses times the business use percentage.

Depending on which method you use, you'll report these deductions on Schedule C, Profit or Loss from a Business and Form 4562, Depreciation and Amortization.

IRS Secret #5: How To Qualify for Business Equipment Deductions

It takes a lot of equipment and furnishings to start and keep a business growing. You'll qualify for these deductions if you use your purchases exclusively in your business. You'll have 2 choices about how you deduct money you spend to buy office furnishings, file cabinets, fax machines, etc.

- ▶ Elect to expense up to \$100,000 per year. This is called a Section 179 deduction and it is taken on Form 4562, Depreciation and Amortization.
- ▶ Elect to depreciate the cost of equipment and furnishings. The IRS has rules on how to handle depreciation for various pieces of equipment and furnishings.
- ▶ You can also combine the above elections.



Success Enhancing Products by the DSWA

Learn more about legitimate home office deductions and take the steps necessary to qualify for them.

[Become a member of the DSWA](#) and discover a community that offers support, information and training you need to profit more from your direct selling business. Below are some links to more success enhancing products the DSWA offers:

- The [Build It Big Book Series](#). The experience of discovering the secrets of the most successful leaders and experts of our profession is here! Discover not just one, but two books that offer 101 insider secrets that inspires greater confidence, brings you fresh ideas and spurs you into action. You can order the first book, **Build It Big** or add the sequel, **More Build It Big**, to your personal collection. [Click here to discover special pricing on one or both!](#)
- The [Build It Big Workbook](#). A spiral-bound study guide that contains 25 business-building exercises bringing the wisdom of Build It Big to life! Designed to take you on a deeper journey through the pages of Build It Big, readers are aided in developing the mindset, habits and strategies that can take you business from wherever you are today to a new level of excellence in a few months. [Order the workbook now!](#)
- In [Managing Your Business Finances](#), Vicky Collins offers a comprehensive, easy-to-understand approach to maximizing profits, minimizing taxes and getting control of your business finances once and for all. The accompanying 100+page workbook includes helpful charts, formulas, tax tables and examples that turn even the most complex financial issues into simple, easy-to-implement solutions. [Order Managing Your Business Finances today!](#)
- **Coming Soon...** Build It Big on CD. Take the *Build It Big* book with you wherever you go with this 12 CD collection that brings the insights of 101 experts and leaders to life. The Build It Book Audio enables you to be mentored by the brightest and most successful individuals of our profession all in the comfort of your home, office or car!

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