

# SelfInformed

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*Justin and Martha Keane (and farm dog, Aspen) work out of both a home office and an outdoor office.*

A stylized illustration of a home office. In the top left, a bright yellow sun with spiral rays is set against a blue sky with a white cloud. To the right, an orange house with a brown roof and a small window with a cross-shaped panes is shown. A woman with blonde hair, wearing a pink top, is sitting at a desk inside the house, working on a laptop. A yellow cat is sitting next to her. A blue vase with yellow flowers is on the desk. The house has a brown door with a silver handle and a set of white stairs leading up to it. The foreground is green grass with some small flowers.

# Making Your Home Office Work For You

By Sallie Hyman

Working from home or basing a new business from home is a good way to save money in the start-up phase or may be a permanent choice for many small businesses. The idea of working from home is very appealing to many workers. No commute, a fully stocked kitchen any time you want, a private bathroom, and no dress code.

Despite these seemingly “too good to be true” perks, establishing, maintaining, and working from a home office can have its challenges. Knowing what your needs are will help you navigate these issues and have a productive and pleasant workspace.

The first challenge for many home offices is where exactly to put it. Some people are lucky enough to have the ability to create new space with an addition or while drawing up plans for a new home. Others have to work with the existing space in their home and need to carve out space for their office.

Several factors go into determining what kind of space will work for you. How much privacy and quiet do you need? Do you have a lot of “stuff” that needs to go into your office or do you tend to collect a lot? How much office equipment will you need? Will you be seeing clients in your office?

If you find yourself having to carve out that space within your home’s existing floor plan, here are some tips to help you find a spot that will work for you and your home.

## The Basement

The basement can provide a private setting away from the busier parts of the home. A door (with a lock or a “Do Not Disturb” sign) can be placed at the stairwell to ensure that privacy. A finished basement can easily be converted with minimal expense. An unfinished basement can be converted without exorbitant expense, especially if you use a modular basement finishing system. Remember to ensure a sufficient number of outlets for office equipment. One problem with a basement office is the lack of natural light. This can be overcome with proper use of various types of lighting throughout the office, such as can lighting, desk lamps, and floor lamps to mimic natural light.

## The Attic

Attics can also provide a private, secluded out-of-the-way office. It is important to make sure that the attic space meets building codes for livable space before you invest in upgrading it. The attic does offer the possibility of installing windows, thus providing natural light.

## Above The Garage

Many homes are built with a finished or unfinished “bonus room” space above the garage. This space is also usually away from the general foot traffic of the home and can offer some privacy. Some above the garage spaces may not be part of your home’s central heating and cooling system, so you may need to utilize space heaters or fans to keep the space at a comfortable temperature.

## An Alcove, Landing, Or Under the Stairs

If you don't need a lot of space, these areas may provide enough area for a small office. There will not be much privacy, since these spots are in the main living spaces. Providing lighting and an adequate number of electrical outlets is a must to make these spaces work.

## An Outbuilding

Some people find it too difficult to find the space or privacy they require within the house. In this case, look outside. There are many options for small outbuildings such as a prefabricated **kitHAUS** or building a carriage house or studio. These projects will obviously be more expensive, but may be the best option for some businesses.

## Apartment Living

If you live in an apartment, you can still find space for a home office. A spare bedroom can be easily converted into a workspace. If space is tight, then consider some alternatives. A large closet can easily be fitted out with a desk and shelves to become an office space. If you need to set your office within a common living space, try using folding screens or curtains hung from the ceiling to define the area. Experts recommend that you don't put the office in a corner of your bedroom if at all possible. Having your office in the bedroom can lead to never getting into "office mode" or not being able to relax and leave the office at night to get a good night's sleep. Also avoid putting your office against a shared wall if you have noisy neighbors. If you have roommates, be sure to set expectations as to how much quiet time you need. If your roommate is home during the day, use noise-cancelling headphones to drown out the TV or telephone chatter.

## Check It Out First

There are some special considerations to keep in mind as you plan this office in your home. Will you need insurance to cover the contents of your office? Many homeowners' policies do not cover the contents of a business office within a home. A separate policy is necessary.

Check the local laws in your area, including your homeowners association. Many counties and HOA's restrict the types of businesses that can be run out of a home, as well as the number of employees or customers that can be on the premises. Regulations may also apply to the size, location, and appearance of any signs for the business, hours of operation, etc.

Finally, make sure that you check the tax code or speak with a certified public accountant to see if you can take advantage of any home office tax deductions. You may be eligible to deduct a portion of expenses that are related to your home office, such as the percentage of square footage that your office accounts for within your entire living space, your business phone, fax line, and Internet service.

## Home Sweet Office

Now that you have found the space, it is time to make it your office. Make sure that you have lighting that pleases you and enough power outlets for all of your equipment. Decorate the space so that it is professional, pleasing, and says, "This is my office." Put your diplomas, or any special certifications or licenses on the wall. Add art or pictures that will make the space somewhere you want to work each day.

Your home office should allow you to perform all of the duties needed to run your business. This means investing in good equipment (computers, printers, fax/scanner), the proper

# Simplified Home Office Tax Deduction

For well over 30 years, the NASE has implored the IRS, the Small Business Administration and Congress to simplify the Tax Code. Nowhere is this simplification more necessary for small-business owners than in calculating the Home Office Deduction.

"The NASE estimates that nearly half of the 9 million home-based businesses that qualify for this deduction elect not to complete a Form 8829, Expenses for the Business Use of Your Home, due to its complexity," said Keith Hall, NASE National Tax Advisor.

For over a decade the NASE has advocated a standard deduction designed to eliminate all complexity by allowing a simple standard amount of \$1,500.

Efforts included meetings with officials at the U.S. Department of the Treasury, the IRS, and the Small Business Administration, as well as hundreds of members of Congress and staff to request administrative action to simplify the deduction.

Persistence paid off. In early 2013, the Department of the Treasury announced that starting in the 2013 tax year, a new, simplified deduction calculation would be available for those with a home office, used regularly and exclusively for business, resulting in a \$1,500 standard deduction. Based on a calculation of \$5 per square foot, the allowable space is capped at 300 square feet.

"Anytime the IRS agrees to simplify the tax code, small-business owners benefit," said Hall. "That benefit can be more time for creating another job, finding more customers, or just saving money."

The new deduction will be available beginning with the 2013 tax year (i.e. when you file in 2014) and will potentially impact roughly 18 million self-employed Schedule C filers. The eligibility requirements will remain the same so that the use of your home office space must be regular and must be exclusively related to your business.

software, and high-speed Internet service. If your Internet services goes down and you are not connected, especially if your business relies on a website or videoconferencing, you may lose valuable business. Don't forget all of the incidentals that are often taken for granted in a traditional office such as pens, pencils, paperclips, staplers, rubber bands, or file folders.

Always have a back-up office in case the worst-case scenario happens. What if your computer crashes, your Internet goes down, or you have a household full of sick kids? Do you have a plan to deal with these situations? Have good back up for your computer such as an external hard drive and a synced laptop. Consider using the local library for Internet service in an emergency. In a pinch you could meet clients at a local coffee shop. Being prepared will lessen the stress in case any of these emergencies should arise.

## Getting To Work

There are many emotional considerations to address when working from a home office. Isolation and lack of motivation are two of the biggest factors against many who work from home. A little creativity and good self-discipline can help combat these.

The number one tip that many experts give to those who work at home is to take off the pajamas and get dressed for work every day. You don't need to put on the business suit, business casual will do. This puts you in a more professional mindset. It also will prevent any embarrassing moments if you have a client show up unexpectedly and surprise you at the "office."

Along with getting dressed for work each day, a good practice is to create a commute to work and show up on time. Most people use their commute time to get into "work mode," working through and then putting aside all of the distractions from home and their personal lives. Find something that works as a "commute" for you, such as a walk around the block, a morning workout, or reading the morning newspaper and having coffee in the kitchen. Plan your "commute" so that you show up at your office on time each day to start the day.

*"Entropy is the enemy of productivity."*

## Distraction Free Zone

Speaking of distractions, remove as many as possible. Do not have a television in your office unless it is necessary for the running of your business. Refrain from surfing the Internet for the latest deals. Tell your spouse and children that even though you are in the house, you are working and not available unless it is an emergency.

NASE Member and author [Skip Press](#) says of his early days of working from home, "It was only a problem when my children were small. I was the one who took them to school and picked them up, so there was a lot of 'mental noise' going on many days, when they forgot things and I had to take those things to school. I simply learned to write under sometimes chaotic conditions."

Clutter in your office can also be a distraction and look unprofessional if clients come to see you. Someone once said, "Entropy is the enemy of productivity." Clutter causes distractions, both visually and mentally (as in, I really should clean that up now) and low-level stress. Take a few minutes at the start or end of each day to neaten up your workspace. The time spent will pay off.

With few distractions and the pressure to complete projects and earn money, many people who work at home forget to get up from their desks as often as they should. Research shows that people who sit for extended periods of time are at risk for an early death. Stand up every ten minutes and stretch or walk around for a few minutes. Some people install treadmill desks to provide continuous movement throughout the day. If you don't want that much exercise, take a 30-minute walk at lunch (if you have a dog, he'd love to accompany you.)



Make sure to set a schedule and set goals. This will help to keep you on task, meet deadlines and keep you working smarter. There are numerous apps and software programs to help you schedule your days.

## Home Sick

If isolation starts to take its toll on you, consider the many ways there are to stay connected. Take a break at the local coffee shop or go out to lunch. This will help to relieve any feelings of “cabin fever” from being at home for so long. You will also get to interact with other people. This time out of the office can provide valuable networking opportunities. Invite colleagues over to discuss the latest news in your field of business. This may not be billable time, but it will help you to keep abreast of the latest news and to keep a pulse on your industry. Joining industry associations or the local chamber of commerce are other ways to stay social.

You can also lesson your isolation by carefully involving your family. Having a home office and sharing that space with family can have some unforeseen benefits. NASE Member Mischelle Endsley, of Be Well 4 Your Life, in Kalamazoo, Mich., found that working from home can become an important life lesson for children.

Endsley said, “Working from home with two daughters has been a common daily experience. I have been single for five years and have learned how to share time with them as they have grown and now are starting college. We have become students together and learned to share in our ‘work/homework’ environment. They have witnessed my business its success and how untraditional it is, which I believe is a good lesson.”

Finally, when the day is done, know how to end it. Working from home gives you the unlimited opportunity to work all of the time. At some point, however, the workday needs to end or you may end up creating stress in your home and family life. Just as you created a commute to work, find a ritual that helps you to commute from work and back to home life. Shut off the computer, lock the office door, anything that symbolizes the end of the day. ■

**Sallie Hyman** writes on small-business issues and owns and operates her own small business in Purcellville, Va.

*Joining industry associations or the local chamber of commerce are other ways to stay social.*



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# Ask The Experts

**Q:** *If I want to hire employees to work about one hour per week, mostly individuals with disabilities, is it better to pay them as an employee or a contract worker? Is there a minimum someone must make for employee taxes to be paid and taken out (including Social Security and Medicare)? I know that they would need to earn at least \$600 to be issued a 1099. If those individuals are working as employees, will the business be required to carry workers compensation insurance even if they're part time?*

**A:** The key to your question is that the classification of a new worker is not a matter of choice and is not determined by the gross amounts paid to the worker. A new worker is either an employee or an independent contractor. The key factor in making this determination is control: who controls the work product? If you are in charge, and you tell the worker when to come to work, what to do at work, how to do the work, and you provide the tools, computers, etc. to do the work, then you most likely control the work product and therefore the worker is an employee.

If on the other hand, you only control the end result, meaning that the worker provides their own tools, decides how to do the work, where and when to do the work, and most likely has other clients besides you, then they are most likely an independent contractor. So, you can't just choose which classification you want based on the ease of reporting. Instead, the underlying facts and circumstances that indicate classification thus dictate the reporting requirements.

If the new worker is an employee, then taxes must be withheld. There is no minimum based on the number of hours worked per week. You must verify employment eligibility, report the new hire to your state, and withhold FICA and Medicare taxes even if they only work an hour or two per week. If the new worker is an independent contractor, you must report payments you make for services if you pay that worker at least \$600 per year, as you know.

## GET MORE ANSWERS

The NASE's small-business experts are here to help you understand the ins and outs of operating a successful small business. And access to these professionals is free with your NASE Membership!

Just go online to the [NASE Business Learning Center](#) where you can ask the experts questions about:

- Taxes
- Marketing
- Financial issues
- Employee relations
- Accounting rules
- And much more

The experts are available 24/7 and ready to help!

*You can't just choose which classification you want based on the ease of reporting.*

As for workers comp insurance, that will depend on a number of factors including your particular industry, the job that the worker is undertaking, and their relationship to you. The fact that the worker is part time or just working one or two hours per week would not preempt the requirement without some other factor. The best advice would be to contact your state directly to review the requirements for your specific industry.

*Keith Hall, NASE Tax Expert* ■

# Member Spotlight

## Bee Keepers

*Justin and Martha Keane have been NASE Members since 2003. They own Dogwood Bee Farm in Mulino, Ore.*

### Tell us about your business.

We're certified arborists, and have provided professional tree care services in the Portland area for over 15 years. The seasonal nature of our tree care business, Roots and Shoots LLC, combined with our love of gardening and orchard production led to an interest in those wonderful insects that make it all happen, and to the creation of Dogwood Bee Farm, our small apiary, in 2010.

**It's been wonderful how people really want to have a connection with us personally as their honey producer.**

We provide pollination services, as well as honey and beeswax products, specifically our Simply Bee Lotion Bar line. Our Simply Bee products are handmade by Martha on the farm using all natural, all Oregon-grown ingredients. Starting with our very first hive, we noticed amazing improvements in our garden, our trees, and our happiness.

### How do you market your business?

We advertise Dogwood Bee Farm and our products to our tree care clients in person and in our annual *Tree Times* newsletter that we mail to our tree service clients. Word of mouth through social networks works well, and we also partner with community-shared agriculture (CSA's), other small businesses, and local feed stores to get our name and products out. We've also had success with the lotion bars at holiday craft fairs.

### What's your favorite thing about your business?

The benefit that our clients' crops and orchards gain from having our bees near them is amazing. Additionally, in our area, locally sourced food products are very popular. It's been wonderful how people really want to have a connection with us personally as their honey producer.

### What advice would you offer to your fellow NASE Members?

Apply for an NASE Growth Grant! Receiving the grant at the end of 2012 was a milestone in our business. We were able to use the money to purchase commercial-grade honey extracting equipment that propelled our business far faster than we were originally expecting. This equipment has also given us the opportunity to diversify the business. You'll be surprised how far \$5,000 will go. ■

## GET PUBLICITY FOR YOUR BUSINESS!

Your business could be featured in the *SelfInformed* Member Spotlight or another NASE publication. Let us know you'd like to be featured and tell us more about your business on our [Publicity Form](#).





# Tax Reform Discussion Draft Prompts NASE Comments

By Katie Vlietstra

In April, the NASE provided feedback to the U.S. House of Representatives Ways and Means Committee on its small-business tax reform discussion draft. In blunt terms, only one of the four components has any bearing on the self-employed community: the Unified Deduction for Start-Up and Organizations Expenses.

Ironically, the framework for the unified deduction is included in H.R. 886, the Small Business Tax Relief Act of 2013, which includes an additional six tax measures that the small-business draft overlooks (Note: the small-business draft does include the permanent expensing provision which is included in H.R. 866).

The NASE has met with various tax staff members to express our concern and discuss additional items that we encourage the House Ways & Means Committee as well as the House Small Business Committee to consider as they work to finalize draft legislation reforming the tax code.

## What Congress Can Do

The NASE suggests the following tax proposals to make the tax reform draft more relevant to the self-employed:

1. Make the deduction of health insurance costs for the self-employed a qualified business expense by adding a line item on the Schedule C form and not on page one of Form 1040.
2. Amend the definition of “employee” to include the owner and spouse of a sole proprietorship, or a 2 percent or greater shareholder in an S corporation—a simple legislative or administrative fix to current language.
3. Create a simplified and streamlined definition of independent contractor versus employee by expanding the Form 1099 that requires the owner and contractor to agree to their business relationship in a transparent manner.
4. Simplify depreciation calculators, reporting requirements, and accelerated options for most standard business items and amounts, all of which would be included as a line on the Schedule C form.
5. Build off the simplified home office deduction and identify other areas to establish standard deduction options based on industry and location, resulting in the development of a Standard Schedule C-EZ form.

All the above proposals meet the criteria of creating a lean, simplified, equitable tax code—inspiring entrepreneurship and growth within the small-business community.

It goes without saying that any significant reform to the tax code will be challenging, but we believe that putting forth a dynamic, common-sense proposal for bringing the tax code into the 21st century can be accomplished if the proposal provides for a transformational change to all aspects of the tax code—individual and corporate.

As it stands now, our concern remains that the draft proposal looks only to modify or tweak the current tax code, but falls short of taking a path to overhauling the dysfunctional and byzantine tax code with a vision for complete reform of the individual and corporate tax structure. ■

**Katie Vlietstra** is Director of Government Affairs of the NASE and provides critical insight to policymakers on issues affecting our nation's self-employed. You can contact her at [advocacy@NASE.org](mailto:advocacy@NASE.org).





**For inquiries:**

**National Association  
for the Self-Employed**  
Communications Office  
325 7th Street, NW, Suite 250  
Washington, DC 20004  
(202) 466-2100  
[editor@NASE.org](mailto:editor@NASE.org)