

“According to a new poll, seven out of ten Americans say our tax code is too complicated. Well, of course, it's complicated. That's why they call it a ‘code.’ They don't want you to understand.”

Jay Leno, April 2005

The Home-Business Tax Breaks Passed by Congress Were NOT an Accidental by-product of Clever Lawyers

Congress didn't create laws that ended up “unintentionally” decreasing Federal tax revenues because some clever lawyers found a loophole. No, they passed these laws for two specific and important reasons. The **first objective** was to stimulate the strongest segment of the American economy – small business. But the **biggest objective** was to encourage every taxpayer to have a home-based business, and to continue to run it actively, because it provides the ideal “safety net” in times of economic downturns and layoffs.

If you find out tomorrow that you are unemployed, what would you do? You *could* go home to look up the address of the unemployment office. But it would be far better for the economy if, instead, you went home to ramp-up your part-time home-based business to Full-time.

That being Congress' objective, the question they wrestled with was, “How do we motivate busy people to do something else?” Answer? What's the greatest motivator of all time? Right – money. Money may not be the most important thing for a lot of people, but it does tend to rank up there with oxygen for a whole lot of folks! Do you think money is not important? If so, let me ask you a question – would you hit the snooze button, or would you get out of bed, for a job if you didn't get paid? I rest my case.

So they decided they'd PAY taxpayers to start and to run a home-based business. The method of payment – HUGE TAX REFUNDS.

Their next question was, “What should we require them to do to qualify for these huge tax breaks?” Well, the objective was for taxpayers to have a part-time business they could ramp-up to full-time if the need arose, so the requirements were (and still are) simple:

1. Have a Profit-Intent.

Note the word “intent.” They wanted to incentivize us to *start* a home business so the tax breaks begin as soon as we begin trying to make a profit.

2. Work your business on a Regular and Consistent basis.

Why this requirement? If we started a home-based business, but didn't keep working it on a regular basis, we would NOT have a part-time business *that we could ramp-up to full-time without notice. 3 hours per week satisfies the IRS.*

3. ‘Run your Business like a Business,’ keeping good records.

Treat your small, part-time business just like the big, full-time business you may want (or need) it to be.

That's it! If you meet those three requirements, you can qualify for a boatload of new, additional tax refunds.

Let there be no doubt, the government **wants** your tax money! But they want a stable economy even more.

Consider these Census Bureau statistics:

- ☐ **Small Businesses in the U. S., total approximately 22.9 million (and growing rapidly)**
- ☐ **Of those, 12.1 million (53%) are home-based**
- ☐ **Small businesses make up more than 99.7% of all employers**
- ☐ **Small businesses employ about 50% of all private sector workers**
- ☐ **Small businesses create 75% of new jobs in our national economy**
- ☐ **4 years after start-up, 50% of all small businesses remain open.**

That set of statistics paints an amazing picture, doesn't it?

The bottom line is this: Congress has passed a series of tax laws for the intended purpose of encouraging and rewarding average Americans who will operate small or home-based businesses. Why? Because it's good for the national economy!

I strongly believe we should each be willingly pay Uncle Sam every penny required by law. But the law does *not* require any of us to *over-pay*!

Everybody thinks they are paying too much in taxes, yet it is a rare person who does anything about it.

By actively running a small or home-based business with the intent to make a profit, you immediately create a second stream of income *and* begun to *qualify* for huge tax breaks. By reviewing this information, you put yourself into that small percentage of the population willing to at least **consider** taking some actions to reduce your taxes to the minimum required by law.

The working American's average wage today is about \$28,000. That works out to \$13.50/hour. Not much, huh? But that's *before taxes*! After taxes, the average American worker only takes home about **\$8.00 an hour!**

Let me ask you a question: If someone offered to show you a legal way to significantly reduce your **mortgage** or **rent** payments, or to slash the size of your **car** payment, would you be interested? Of course! Why, then, do most people freeze in their tracks when offered information on how to reduce their **taxes**?

The three main reasons:

- (1) Fear of the IRS,
- (2) Fear of the time it will take to keep detailed records, and
- (3) Not having a full understanding of what is legal.

Here's good news for you on all three counts!

No Need to Fear the IRS

If you're *not* a shoplifter, do you care one way or the other about those theft detectors at the exit door of the drug store? Why would you? Or if you're driving and have not been drinking, do you fear being stopped by police at a breathalyzer checkpoint? No, because you have nothing to fear if you haven't been drinking. **When you obey the law, there is no reason to fear law enforcement.**

Well, if you understand and follow tax laws passed by Congress and authorized in the Internal Revenue Code, would you have any reason to fear an IRS audit? Look, if you have three dependents, do you "play it safe" on your Tax Returns by claiming only two of them? No way! Why not? Because you know what the tax law allows and you know how to count to three. It's that simple.

Well then, you will not need to "play it safe" by not claiming the legal tax deductions passed by Congress to benefit your business – once you understand the tax laws. A taxpayer's chance of being audited is only about one percent, but even if you *are* audited, you'll have nothing to fear once you understand the laws and are staying within them.

Documentation – It's Not as Bad as You Think!

By spending a minute or so a day keeping records, could qualify you for substantial tax deductions every year – resulting in up to \$5,000 or more in tax refunds for many (possibly *most*) taxpayers.

There IS Another way to put an extra \$5,000 in your pocket...

You could take-on another part-time job. But you would have to make \$13.50/hour and work *at least* 12 hours a week, 50 weeks a year, to put \$5,000 after-tax cash into your pocket. OR, Option Two, you could spend one hour a day, three or four days a week running a home-based business you enjoy instead of working 12 hours every week for a full year at a part time job you'd most likely hate... and seeing your family even less than now. Financially, the result is the same either way. Which would you rather do?

As you investigate these awesome tax breaks, you're going to discover that it is amazingly easy to qualify for thousands and thousands of dollars in legal tax deductions that you had no idea about before. Oh by the way we are not talking about loopholes, tax dodges, gray areas, tax evasion schemes, or IRS bashing. Home Based Business Tax Deductions are the law.

Every Home Based Business tax deduction is based on an Act of Congress, a Section in the Tax Code, or a Tax Court Ruling. Think about it – since the laws themselves allow so many **100% legal** deductions for home-business operators, who needs to take on the risky ones? Not you and *definitely not me!*

RONALD R. MUELLER, MBA, Ph.D.

Thoughts on ‘Legitimate Tax Avoidance’
by former Unites States Supreme Court
Justice Louis D. Brandeis

“I live in Alexandria, Virginia. Near the Supreme Court chambers is a toll bridge across the Potomac River. When in a rush, I pay the one-dollar toll and get home early. However, I usually drive a mile outside the downtown section of the city, and cross the Potomac on the free bridge. This bridge was placed outside of downtown Washington, D.C. to serve a useful social service: getting drivers to drive the extra mile to help alleviate congestion during the rush hour. If I drive over the toll bridge and through the toll-barrier without paying the toll, I would be committing tax evasion. If, however, I drive the extra mile outside the city of Washington, I am using a legitimate, logical and suitable method of tax avoidance, and I am performing a useful social service by doing so. For tax evasion, I should be punished. For tax avoidance, I should be commended. The tragedy of life today is that so few people know that the free bridge even exists.”

Here is a personal note from J.K. & Becky Baker.

36 years ago we started a Home Based Business trying to get back on our feet after we went broke in the Fabric store business. We praise the Lord that we were so successful in our Home Based Business, got back on our feet and out of debt. Our Home Based Business allowed us to become financially independent and also allowed us to build the home of our dreams, travel the world, enjoy our children and their activities as they were growing up and now we enjoy our Grandchildren’s activities, work on our Bucket List, and also participate in other businesses, such as commercial properties, drugs stores, etc. One of the biggest financial benefits we have experienced over the past 36 years has been the tax breaks offered by Congress to people who have a Home Based Business. In fact Home Based Business owners have some of the best tax breaks in America. We have earned a little over \$8M in our part time Home Based Businesses over the past 36 years and as a result of the tax breaks we have saved over \$500,000 in taxes. Today those tax breaks are bigger than ever primarily because of the slow economy and as an incentive/stimulus for people in the USA to start Home Based Businesses. When you start a Home Based Business it’s like getting an immediate raise at your job. We strongly endorse Vollara’s I Feel Great Home Based Business as the best in the industry.