

Tax Advantages of Network Marketing

I'm proud to be paying taxes in the United States. The only thing is I could be just as proud for half the money. ~ Arthur Godfrey

If you enjoy receiving thank you checks from VNI and take your network marketing business seriously, you may qualify for some significant tax advantages that are available to business owners, and in particular, home-based business owners.

The IRS says that you can't deduct business expenses unless you engage in the business on a "for profit" basis (It doesn't have to be full-time though.) — But, the business must not be just a "hobby business."

The IRS will look at one of two tests. The first is whether you have made a profit in three out of five years. The second is whether you are prepared to demonstrate that you engage in your business to make a profit. Here, the IRS is looking at whether you carry on the business in a businesslike manner based on:

- The time and effort you put into the activity
- Whether you depend on income from it
- Your expertise in the business
- How much profit the activity makes in the years it does profit
- And, other related considerations.

Meal and Entertainment Deductions

Network marketing is a social business. You must eat and you may as well have some fun and do it while you are having a business meeting, recruiting or selling. You can deduct 50 percent of your meal and entertainment costs. BUT...that makes it all the more important that you keep receipts and a record of them. You can write expense details on the receipt because you will need to document the substance of the business discussion; i.e. what was discussed, the business relationship, and who you had a meal with, or went with to be entertained. The business discussion must be during, immediately preceding or following the activity. Remember, you must have records to substantiate your meal and entertainment deduction claims. So, take those legitimate business expense deductions.

The one IRS exception to deducting meals is that when traveling, you cannot deduct breakfast the day you depart and dinner/supper the day you return unless the departure and return are much earlier than and/or much later than normal hours for those meals.

Travel Deduction

When you travel for your business, you are going to have to make a clear allocation between the business-related purpose of the travel and the vacation portion. Inside the U.S., all travel expenses are deductible when the trip is "primarily" for business. When traveling abroad, you must divide the travel expenses between business and vacation time. Obviously, there is a gray line, and it will be in your best interest to substantiate as much of the travel as possible that relates to your network marketing business.

Home Office Deduction

You can deduct the cost associated with your home office. The space must be used regularly and exclusively for business. Second, you must use it for administrative or management activities of the business and cannot have another fixed location for your business where you conduct substantial administrative or management activities. Just be prepared to show how you use it. Assuming you qualify, you can deduct a percentage of expenses related to your entire home, such as mortgage payments, insurance, utility bills and home repair. Just measure the amount of space you use for your business and divide the total space in the home into that smaller business space number. Move the decimal point two places to the right and that is the percent of all your home expenses you can deduct.

Example: Office space = 450 square feet. House = 3200 square feet. Calculation: 450 divided by 3200 = 0.140625. Move the decimal point two places to the right = 14%. So, 14% of all your household expenses that are required to have the office can be deducted from your income.

Ordinary Business Expenses

You can deduct ordinary business expenses such as accounting fees, advertising fees, license fees, and so on. The tax advantage here is that many of your expenses may cross over between your home lifestyle and your business lifestyle, including telephone, cleaning supplies, office supplies, answering machines, audio and video equipment, fax machines, office furniture, and office decorations that improve both your home office and your house.

Business Gifts

Do you have friends and family who are also customers and business associates in network marketing? The probability on this point is high. A network marketer can convert gift-giving, which might normally take place, into business gift-giving, which is eligible for a tax deduction. Under IRS rules, you may deduct up to \$25 for the cost of business gifts given directly or indirectly to these people. That should make you more popular!

Sales and Marketing Expenses

You can deduct the cost of products, advertising and collateral sales and marketing materials you 'give away' as samples and support materials. They are legitimate sales/marketing expenses. Just keep accurate records. A signed receipt for such marketing expenses is most valuable. If you don't have a receipt, then at least have all the same information you would need for an entertainment expense along with a documented account of the expense from your records.

Event Registration Costs

You can deduct registration fees and costs for and related to the attendance at or participation in business conferences, exhibitions, meetings, trade shows, consumer shows, etc.

Computers, Automobiles, and Capital Assets Deductions

When it comes to these issues, you're definitely going to need to talk to your tax advisor. You have some choices to make about how to deduct the acquisition costs of computer equipment and automobiles that are used for your network marketing business.

The IRS provides some very liberal limits on the amount of money you can actually deduct as a business expense in any one year. (Of course, you are limited in expenses to the income from your business.) OR, you can take a depreciation write-off over a number of years for business equipment. Check with your tax advisor to know which method is best for is most advantageous for you.

The costs of running your automobile (or your horse) for your network marketing business are deductible. You have a choice of using the IRS's standard cents-per-mile deduction (in 2016, for instance, it is 54 cents per mile), OR, you can itemize the automobile expenses, such as gasoline, repairs, maintenance, insurance, and depreciation. Obviously, you need to calculate what percentage of your overall car use is devoted to your network marketing business, and adjust the expenses to that percentage.

KEEP ACCURATE RECORDS!

The IRS will always tell you that a receipt is ordinarily the best evidence to prove the amount of expense. The IRS will suggest that you keep a separate bank account, make a record of all business transactions, and retain all your records. Record keeping and substantiation are particularly important for deductions for travel, entertainment, marketing, and gift expenses, etc.

Is It Worth It...Absolutely YES?

If you're a serious network marketer, deducting your business expenses can enrich your business and your personal lifestyle by putting hundreds or even thousands of dollars of after-tax savings into your bank account. The IRS will tell you that those expenses and deductions are there for you if you don't abuse them.

You can apply all of these great tax advantages to make your VNI Grow and Go to Williamsburg event even more cost effective, productive and significantly more beneficial to your effectiveness in growing your VNI Business. Don't miss this great opportunity!