



**ROBIN S. WEINGAST
AND ASSOCIATES, INC.**



GARDEN CITY CENTER
100 QUENTIN ROOSEVELT BLVD.
SUITE 507
GARDEN CITY, NY 11530
P: 516.794.1450
F: 516.794.8146
EMAIL: RSW@RSWTPA.COM
WEBSITE: WWW.RSWTPA.COM

in this issue:

Improving Employee
Performance with
Regular Evaluations

Symbiosis:
Providing Consumers
with One-Stop Shopping

The Entrepreneurial
Challenge

Home Office Deductions

Entrepreneurs, small business owners, and those who work at home may be considering utilizing the home office deduction when they file their taxes this year. This deduction can be advantageous, but there are several requirements that must be met before you can claim it as your own.

The Internal Revenue Service (IRS) has exacting guidelines that your business must meet in order to qualify for the **home office deduction**. For starters, let's address the word "home." As far as the IRS is concerned, "home" can refer to your house, apartment, condominium, boat, or even mobile home. After establishing that your "home" qualifies for the deduction, you must also meet certain tax law requirements. In order to claim a home office deduction, your business must adhere to the following:

1. Regular and Exclusive Use. According to the IRS, the part of your home that you claim for business must be used *exclusively* for business purposes and on a *regular* basis. If you are a lawyer, for example, who does paperwork at night in your living room where the rest of the family also socializes, then you will not qualify for the deduction. However, if you have a spare bedroom that has been converted into a home office, which you use *regularly* for business purposes *only*, the room will most likely satisfy the requirements.

If you use part of your home for business storage purposes, then you may not have to meet the "exclusive" part of this rule. You can claim business use if you fulfill *all* of the following: 1) Your trade or business is selling products wholesale or retail; 2) You store inventory or product samples in your home for your business; 3) Your home is the only *fixed* location of your business; 4) Your storage space is used for storage on a regular basis; and 5) The space you use is suitable for storage and can be identified as a separate space. For example, if you sell mechanical equipment out of your home and use half of your attic for storage, then you may satisfy these requirements.

After fulfilling the first requirement, you must also meet at least *one* of the following stipulations:

2. Your Principal Place of Business. If your business is 100% home-based, then you should be all set. However, if you have more than one location for your business, your home must be the only place available to you for performing the administrative and managerial aspects of the business.

continued on page four

Improving Employee Performance with Regular Evaluations

When your business is running smoothly, it is easy to neglect the time-consuming task of sitting down with employees to conduct one-on-one evaluations of their contributions to the organization. Owners of smaller companies especially may believe they provide sufficient feedback to staff on an informal basis and do not need a formal evaluation system. However, if employee performance or morale shows signs of declining or a particular staff member presents problems, evaluation records can provide useful background information for addressing the situation.

When conducted properly, performance evaluations can help managers build an effective and motivated team of employees. Regular evaluations—usually held annually or biannually—are an opportunity not only for critiquing an employee's work, but also for recognizing exceptional efforts and reminding staff of how each individual contributes to the organization's broader goals. These formal evaluations also provide an opportunity to

reward superior work with increases in compensation.

What Do Performance Evaluations Measure?

To ensure that individual evaluations are conducted as fairly and objectively as possible, create a standard evaluation form for all staff members. Job performance evaluation forms generally rate quality and quantity of work, work habits, skill levels, and attitude. Ask your attorney to review the form before you use it to ensure that it meets Federal and state guidelines and does not raise any liability issues.

Generally, each evaluation is based on your own knowledge of the employee's work, observations of the employee's immediate supervisor, and any pertinent objective measures, such as the amount of work completed and attendance. If certain tasks are not currently being evaluated—such as the number of customers served or the number of phone calls answered promptly—it may be helpful to implement procedures to do so.

In assessing an employee's skill level, evaluate the knowledge gained and the abilities demonstrated. It may be more difficult to evaluate an employee's attitude objectively, so consider supplementing your own assessment with feedback from co-workers and customers who deal directly with the staff member.

Meeting with Employees

Using the evaluation form as a reference, meet with each employee individually and discuss whether he or she is meeting expectations. If the assessment identifies areas of weakness, discuss possible strategies for improvement. If appropriate, set a time limit for rectifying poor or sub-standard work. While you may choose to go easy on an employee who is performing poorly, keep in mind that failure to document shortcomings could lead to difficulties if you later choose to warn or terminate the employee. On the other hand, if an employee is performing well, you may want to ask him or her to take on additional responsibilities. After evaluating each employee, attach a memo to the evaluation form highlighting details of the meeting, including future goals and changes in pay. For legal protection, have the employee sign and date the evaluation, confirming that he or she is aware of its contents.

Periodic employee evaluations, while time-consuming, provide a number of benefits for employees and business owners. In addition to presenting an opportunity for work assessment, one-on-one evaluations open the door to better communication and awareness among staff and management. ■



Symbiosis: Providing Consumers with One-Stop Shopping

Symbiosis is a biological term meaning a mutually beneficial relationship of two or more different organisms in close association. From a business owner's perspective, it may be more than biology. Some business owners have already put symbiotic principles to work in the form of joint business ventures, and the results have been beneficial for all parties involved.

Besides learning about biological symbiosis in school, there may be good reason for business owners to continue its study to help them succeed in today's economic climate.

Perhaps you have seen symbiotic principles at work in your nearby business supply store, where you can now obtain the additional services of a small mailbox/shipping company, a

software specialty shop, and, perhaps, a printing facility. The store has the available space, and the smaller enterprises have the additional services needed by business customers. Each service or party benefits from the others, and all are ultimately enhanced by their close proximity.

Another example of symbiotic principles might include a group of service businesses—a cobbler shop, jewelry repair shop, and passport photo shop. They may choose to rent one large retail space in a mall, which might have been too large and costly for one business to handle alone. All businesses may benefit where one may have struggled. Shared office services have also become a common “joint venture.” One building may

house several independent “one-person” ventures, all of which require a receptionist, copy and fax equipment, and a pleasant reception area.

Does your business have extra, unused space? Do you use certain services infrequently or sporadically, but pay for them continuously? Is there a service or business that could complement yours, while you complement theirs?

Perhaps the time has come to expand on the biological meaning of symbiosis? Besides providing consumers with much-needed one-stop shopping, you may form mutually beneficial and profitable business relations. After all, look what happened when chocolate and peanut butter joined forces! ■

The Entrepreneurial Challenge

as many companies have streamlined their workforce in recent years, former employees from all levels have taken the opportunity to strike out on their own. While some have done so out of necessity, others have used the opportunity to act on long-standing dreams or ambitions. One of the great attractions of entrepreneurial activity is the independence and satisfaction of working for oneself.

However, this freedom has its price: independence comes with greater responsibility. What was previously provided by the *employer* now becomes the *self-employed individual's* personal responsibility.

For example, when you are self-employed, *you* are responsible for *completely funding* your own salary and benefits, including health insurance and retirement plans. Are group or association plans available to you for health, dental, and vision insurance? What options are available to save for your retirement? Can you establish a tax-sheltered qualified plan? If you have employees, what is the cost of their salaries and benefits? Could they be included in tax-qualified plans?

Another important consideration for entrepreneurs is protection for your family should something happen

to you. Be sure to review your **life** and **disability income insurance** policies to determine whether your current coverage will meet your family's financial needs in the event of your death or a disability.

There are many advantages to entrepreneurship. The chance to be your own boss and experience the payoff of your own hard work can make entrepreneurship an exciting and educational adventure. Planning ahead with the help of your legal, financial, insurance, and tax advisors can help today's entrepreneurs meet these challenges and responsibilities. ■

home office deductions

continued from page one

But those who have primary jobs and secondary businesses can still meet the requirements. For example, if you are employed as a teacher and run your own jewelry business from your home, you may still qualify.

3. Where You Meet with Customers, Clients, etc. If you regularly meet with customers, clients, or patients in an area of your house that is exclusively used for this purpose, then you may fulfill this requirement.

4. A Separate Structure. A building on your property used only for business would meet this condition. This means that if you are an artist, for example, and you convert a shed into a studio, then you would probably qualify. Once again, the rule remains that this structure cannot be used for other purposes, such as storing garden and lawn equipment.

But what if you work at home on projects supplied by your employer? In order to qualify for the deduction in this scenario, your work at home must be for the convenience of your employer. This means that if your employer provides you with a place to do your work but you choose to work at home, then you do not qualify. Such an example would be for your convenience and not the employer's. Also, in order to qualify

for the deduction, your employer may not provide you with additional compensation, such as rent, for your home office space.

Safe Harbor Method of Calculation

In 2013 owners of home-based businesses and some home-based workers had the option of using a new safe harbor method when calculating their tax deduction for the business use of their home, or home office deduction.

The option provided eligible taxpayers with an easier way of claiming the home office deduction under Section 280A of the Internal Revenue Code. Under the old rules, taxpayers were generally required to fill out Form 8829, *Expenses for Business Use of Your Home*. Completing the form often involved complex calculations of allocated expenses, depreciation, and carryovers of unused deductions.

But taxpayers claiming the new optional deduction now complete a streamlined form in which they simply have to multiply the square footage of the area of their home used for business purposes by the prescribed rate of \$5 per square foot up to 300 square feet, or \$1,500 per year.

Taxpayers, however, have to continue to satisfy the existing criteria for claiming the home office deduction, such as the requirement that a home office must be used *regularly* and *exclusively* for business, and the limit tied to the income derived from the home-based business. For a full explanation of eligibility requirements and tax deductions for your home office, see the IRS Publication 587, *Business Use of Your Home*.

While homeowners using the newer safe harbor method cannot depreciate the portion of their home used in a trade or business, they are permitted to claim allowable mortgage interest, real estate taxes, and casualty losses on the home as itemized deductions on Schedule A. These deductions do not have to be allocated between personal and business use. Meanwhile, business expenses unrelated to the home, such as advertising, supplies, and wages paid to employees, are fully deductible.

The home office deduction involves many rules, but if you qualify, it can be well worth your time and effort. Be sure to consult your qualified tax professional for more information on the safe harbor method and your home office situation. ■

The information contained in this newsletter is not intended as tax, legal, or financial advice, and it may not be relied on for the purpose of avoiding any Federal tax penalties. You are encouraged to seek such advice from your professional advisors. The content is derived from sources believed to be accurate. Neither the information presented nor any opinion expressed constitutes a solicitation for any insurance or financial product.

Financial Business Edge is written and published by Liberty Publishing to help keep you up-to-date on the issues which may affect your financial well-being. The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. For specific advice on how to apply this information to your particular circumstances, you should contact your insurance, legal, tax, or financial professional.