

# Taking Your Home-Based Mary Kay Tax Advantages to the Bank

Here's a concept -- tell your prospects they can put an additional \$2-5,000 of spending money per year in their pocket if they sign up as a distributor in your Mary Kay business -- whether or not they actually succeed in signing up other ladies or retailing products.

## How...?

As a Mary Kay distributor, they'll be entitled to a way-advantageous collection of tax breaks which will enable them to reclaim thousands of dollars in taxes -- dollars normally taken out of their day job paychecks by the IRS.

The good tax laws that allow Mary Kay distributors-- and other small business owners -- to garner substantial tax breaks are the same laws that GM and IBM benefit from. The only difference between Mary Kay businesses and these Fortune 500 entities in the eyes of the IRS is their size, and the fact that Mary Kay distributors can also deduct many expenses from their homes and daily lives. If these expenses contribute to the success of their Mary Kay home-based business, then they are fully tax deductible!

## What is deductible by a Mary Kay home-based business owner?

When you discuss business out to lunch or dinner with co-workers and friends, your meal is 50 percent tax deductible. For that matter, so are theater and sports event tickets, and other expenses relating to entertainment focused on building relationships with prospects, retail customers and other distributors. (Remember, by definition, everyone is a potential prospect or customer of your Mary Kay business!)

Automobile mileage is deductible between your home-based business office and a meeting where business is discussed, such as the meals mentioned above, or an opportunity meeting -- or even a tennis outing with friends who are prospects!

Travel is deductible -- be it to a friend's home or an island resort -- if the purpose is to hold an opportunity meeting, to discuss business with other travelers, or to attend a seminar. Your spouse's travel can even be deductible if their presence is helpful in closing the sale.

You can also deduct wages paid to your children for help in the business -- and if those children are under 14 and have no other sources of income, all wages under \$4,000 per year are tax free. It's a great way to help save for college with Uncle Sam's help!

You can pay with pre-tax dollars for expenses like braces, eyeglasses and visits to the doctor if properly structured through a qualified medical expense reimbursement plan -- this is easy to do with standard forms.

Home computers, fax machines, telephones, office supplies, and office furniture are also fully tax deductible. But there's more....

The IRS's only requirement is that you legitimately treat your Mary Kay business as a business -- not a hobby. That means regularly working your business.

## What counts as "regularly working" your business?

Just taking the actions you are telling the people you sponsor to take: attend weekly meetings, call prospects regularly, use the product, tell people about the product and, if successful, teach others to do the same.

If the people you sponsor actively follow your guidance, they should make money; but even if they don't, the IRS will recognize their right to their home-based business tax breaks -- If they properly document their activities and expenses!

## Documentation Is Everything!

Documentation is a big word, but a simple process. It merely means writing down in your day planner all business-related activities, business-related expenses and any revenues you earn. Consistent record keeping

will prove to the IRS (on the rare chance you have to) that you are truly running a business and not engaged in a hobby -- whether or not it makes money.

### What do these records look like?

They're simple. Just writing down who you spoke with about the business, where you went in pursuit of your business, and what you spent in the ordinary course of conducting your business -- if done in a regular and consistent manner -- will provide you with proper documentation and a sea of deductible business expenses!

Sure, it's a hassle writing down your business-related activities every day; but for a maximum investment of five minutes a day, the time spent record keeping is worth a minimum of \$2-5,000 in tax savings. That's \$240/hour of tax savings for the time you spent keeping track of your activities and expenses. A pretty good wage for simple record keeping!

So, what do these records look like exactly? Here's a **sample day** from a day planner:

8:00 AM:

Breakfast meeting with Prospect Jones (a friend who works near you). Presented products. She's considering it. Breakfast cost \$14.50. Mileage from home office to breakfast: 15 miles. Ate at Chock Full of Nuts.

12:00 PM:

Lunch with Prospect Smith (a co-worker). Discussed how great I felt using the product. He's considering it. Lunch Cost: \$15.75. Ate at Joe's.

5:30 PM:

Coffee and snack with Prospect Lee (a friend). Discussed the product. Coffee and snack cost \$16.00. Lee committed to buy 1 month's worth of the product.

7:00 PM:

Attended network Meeting. Mileage to event: 10 miles. Mileage to next event: 15 miles. Watched presentations and lent support.

8:30 PM:

Attend professional basketball game at home with Prospect Harris and our spouses. Harris is considering the opportunity.  
Cost for tickets: \$60.

Help from Uncle Sam

What's deductible in your ordinary lifestyle expenses when you own a Mary Kay business? If you legitimately work your business engaged in the following actions, here's what's deductible. Check out the math: \$500: Lunch with co-workers is deductible (Hey, they're prospects!). \$4/day times 250 work days = \$1,000 x 50 percent deductible = \$500

\$1,500: Travel expenses for you and spouse to vacation land -- if you hold opportunity meetings (could be to the friends you are visiting) and your spouse participates

\$1,800: Home office deduction ( \$150/month) for use of spare room in house out of which you operate your home-based business

\$1,500: Automobile mileage from home office to day job or other places where you actively encounter prospects and actively discuss the product. (20 miles round trip to work x 250 days x 44.5 cents/mile)

\$8,000: Tax free wages for two kids without other jobs who assist you in your Home-Based Business (2 kids x \$4,000 per year paid to their savings accounts for college/weddings, etc.)

\$2,700: Health insurance for family (Spouse is an employee of your home-based business, who chooses to include you and kids on the plan --

\$225/month time 12 months)

That's US \$16,000 Total tax-deductible expenses x 35% combined Federal and State tax rate = \$5,600 Cash refund from IRS on April 15th

Remember, to deduct the above expenses, you must be actively working your business in the lunches, trips, visits, etc. mentioned above, and be keeping proper records. If you are an active Mary Kay Marketer, this is not only perfectly legitimate -- it's good business -- AND, it's a great reason to show your prospects why they need to have their own Mary Kay business, too!

We recommend that you consult professional accountants and individual expert tax advisors in applying these concepts to businesses.

Best Regards,

Wayne

*"We make a living by what we make, we make a life by what we give".*

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