



## STARTING A HOME-BASED BUSINESS IN SAN DIEGO COUNTY

*Starting a home based business in California is not difficult, but it does take research and a business plan. The high cost of renting and maintaining space makes beginning a home business very attractive. The savings is often more profitable due to fewer start-up costs, cost controls, etc.*

**WHAT KINDS OF BUSINESSES CAN BE RUN FROM HOME?** Almost any business that does not require you to meet clients face to face in an office. The types of businesses include: eCommerce, bookkeeping, virtual office and administrative duties, writers, publishers, consultants, speakers, researchers, specialty mail-order, bed and breakfast establishments, small construction workers, landscapers, and others that do not disturb the neighbors with noise, deliveries, retail customers or break any laws.

**BEFORE** spending money and obtaining permits, it is suggested that you have a **BUSINESS PLAN**. The most important aspect of any venture is a well-researched, documented and executed plan. During the preparation of the plan you will research your product or service, consider its market value, your target market, marketing plan, operations plan and competitive advantage. The process of writing a business plan uncovers hidden costs, government regulations, and helps the home business start-up understand what is needed to be successful. Check the competition's websites, locally and around the country for ideas. Offer to work for or assist others in the same or related business to gain experience and know that you are sure it is what you really want to do. We offer numerous workshops; view at [www.sandiego.score.org/content/take-workshop-8](http://www.sandiego.score.org/content/take-workshop-8) Also look at our Library of documents at [www.sandiego.score.org/content/browse-library-8](http://www.sandiego.score.org/content/browse-library-8) in which you will find Business Planning Aids and answers to many unanswered questions you may have. If you need help .....

Ask for **SCORE** Mentoring at <https://sandiego.score.org/content/find-mentor-41>  
Or Call **858-283-1100** Monday thru Friday 9-Noon & 1-3pm

**∞IMPORTANT∞**

**Obtain an attorney or legal assistant to review all written Agreements/Contracts, to be sure you and your clients are protected.**

## ∞ FIRST THINGS FIRST ∞

*Make sure your fictitious name, if required and selected domain name are available and purchase ASAP..... See more information below.*

**IMPORTANT CONSIDERATIONS** - A home business may give you a sense of independence and personal satisfaction. However, to be successful, you will need to make a **total commitment** to the business. Being your own boss does not give you total independence. The various business needs (e.g. customers, suppliers, employees, etc.) will limit your independence. Operating the business requires a greater commitment of time, energy and money than most jobs. It also requires a great deal of sacrifice, requiring a balance of business and family needs. The following factors should be considered before starting a business in your home.

### **Do you have the personality and business skills to run a business?**

- Does it make sense to operate the business out of your home?
- How will this business affect the family environment?
- Is there sufficient demand for your product or service?
- What price should be charged for your product or service?
- Are you willing to prepare a sound **business plan**?

### **Advantages:**

- Can start as a part-time business.
- More flexible lifestyle and more integrated with the family.
- Lower start-up and operating costs.
- Cost-savings on child/adult care.
- No commuting.
- Flexible work hours.
- Satisfaction of being your own boss.
- Increased tax benefits and write-offs.
- Outlet for creative/unique talents.
- Employment of family members by the business.

## **Disadvantages:**

- Space may be cramped, limiting growth potential and family use.
- Personal and family lifestyle patterns may be disturbed.
- Business and family privacy may be disrupted.
- Long work hours and time away from family.
- Lack of fringe benefits.
- Lack of informal social contacts or opportunities to network.
- Stress due to inability to balance family and business needs.
- Family members and friends may demand more of you when you're home all day.
- Business activities may cause problems with neighbors.
- Discipline is required to establish steady, homework patterns.

**Balancing family, friends, neighbors and business needs:** Having the support of your family and friends will help achieve the balance you need for a happy life and successful business. It is essential that each member of the family be given the chance to share his or her thoughts and feelings about starting a business in their home. Here are some suggestions for helping you strike such a balance:

- Communicate your intentions to all family members. In less than 3 sentences, describe to them what you want your business to be. If you can't, think it through before moving on.
- Involve family members and friends, where it makes sense in developing the business plan.
- Maintain a clear distinction between your business life and your personal life.
- Share home responsibilities with other members of the family.
- Keep family members informed of plans likely to affect the family.
- Manage your time effectively by developing good time management skills.
- Allow time for family vacations, and limit business hours to specific times of the day and week.
- Start a business when your children are older or work part-time when they are young.

## **RESEARCH & TO DO'S:**

- Check your City Business License and zoning departments for their rules, such as No Signs at your home, no cooking in your kitchen for catering, etc. Child care also has certain rules.
- Check your city and nearby cities to find out how many other businesses are doing what you want to do. Search for them on the Internet.
- Check your homeowner association rules.
- Review and comply with all regulations and restrictions for home businesses. Certain home businesses require licensing, permits and registration in California. In addition, counties and cities also have regulations and licensing that a home business must follow. Running a home business without the proper permits and licensing may result in fines. [Cal Gold](#) is the California informational site for business permit information, while the California Department of Consumer Affairs ( <http://www.dca.ca.gov/> ) offers information on any professional licensing needed as a home business owner.

## YOUR CHECK LIST:

- ZONING LAWS: [www.sandiego.gov/ced/zoning/home](http://www.sandiego.gov/ced/zoning/home) for the city of San Diego. For other cities in San Diego County, search the Internet using City Name Home Occupation Permit.
  
- FICTITIOUS NAME (DBA): The County Recorder's office is responsible for fictitious names (name other than your own) to do business. Choose one that gives you flexibility, but tells what you do. A fictitious name statement must be published in a newspaper of general circulation. For further information go to: <https://arcc.sdcounty.ca.gov/Documents/CC230.pdf>
  
- DOMAIN NAME: Search on line using one of the web-hosting sites, IE. godaddy.com, domainname.com and networksolutions.com. This is a good method to see if a fictitious name is available. Your domain name should be as short as possible. If not, it is suggested that you also purchase an acronym to make your site quicker to access. These is a made-up example: [www.myowndomainnamesandiego.com](http://www.myowndomainnamesandiego.com) could also be a shorter version [www.modnsd.com](http://www.modnsd.com)
  
- TAX ID NUMBER (EIN): It is suggested that an EIN be obtained even though it may not be required for your business structure. It will be needed if you hire employees. <http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/How-to-Apply-for-an-EIN>  
By having the EIN you can avoid sharing your social security number when creating 1099's or other documents you send to clients and resources.
  
- BUSINESS LICENSES: If required purchase a City Business License and obtain a license list to see what other kinds of businesses are in your local area. This is one way to check competition. To search for cities requiring licenses go to: <http://www.sdcounty.ca.gov/cs/businesslicenses.html>
  
- BANK ACCOUNT: Avoid co-mingling personal and business funds. Open a separate business checking account prior to receiving payment for your goods and/or services. If you are not using your name as the business name, the bank will require your fictitious name certificate. You may pay for start-up expenses from your personal bank account to be repaid from the business for up to one year, providing you keep receipts and list what they are for.

- CREDIT CARDS: Open separate business credit card accounts. This will also aid in avoiding co-mingling of personal and company funds.
  
- BUSINESS INSURANCE: It is recommended that if you are in business, you should have business insurance. It is critical to protecting personal assets especially when the business operates out of the home. Many of your customers may require proof of insurance prior to doing business with your business. Find a reputable agent through referrals, including your auto, home or rental insurance agent.
  
- BUSINESS ENTITIES: Consider discussing a choice with a SCORE mentor, an accountant and an attorney. Each form of doing business has pros and cons that you should be aware of prior to making a business entity decision. Also consider our workshop "Your Business Entity - What Type is Best for You" at [www.sandiego.score.org](http://www.sandiego.score.org) and view Take A Workshop.
  - SOLE PROPRIETORSHIP: The simplest and most common form of starting a business. It has no existence apart from its owner. See [www.ftb.ca.gov/businesses/Structures/Sole-Proprietorship.shtml?WT.mc\\_id=Business\\_Forms\\_SoleProp540toc](http://www.ftb.ca.gov/businesses/Structures/Sole-Proprietorship.shtml?WT.mc_id=Business_Forms_SoleProp540toc) A sole proprietorship consists of only “one” individual.
  
  - PARTNERSHIP: Obtain a written and signed partnership agreement. Surf the Internet for forms. The document should be approved by an attorney. Partnerships are often very difficult to operate under. It is suggested that all elements of the operation, are considered for division or sharing of responsibilities. See <https://www.ftb.ca.gov/businesses/Structures/Partnerships.shtml>
  
  - LIMITED LIABILITY COMPANY: It provides a structure to avoid personal liability and double taxation when operating as a C Corporation. This Business Entity is a “poor choice” if the business will ever have revenues in excess of \$250,000. However, an LLC may elect to be taxed as a S Corp. See [www.ftb.ca.gov/businesses/Structures/Limited-Liability-Company.shtml?WT.mc\\_id=Business\\_Forms\\_LLCToc](http://www.ftb.ca.gov/businesses/Structures/Limited-Liability-Company.shtml?WT.mc_id=Business_Forms_LLCToc)
  
  - S CORPORATION: It’s a corporation that has made an election under the tax code to pass its profit directly to its shareholders. See [www.ftb.ca.gov/businesses/Structures/S-Corporations.shtml?WT.mc\\_id=Business\\_Forms\\_SCorpTOC](http://www.ftb.ca.gov/businesses/Structures/S-Corporations.shtml?WT.mc_id=Business_Forms_SCorpTOC)

- **RETAIL SALES TAX NUMBER:** A sales and use tax number may be obtained from the State Board of Equalization's California Department of Tax and Fee Administration's (CDTFA) on-line registration system if you are going to be selling a product at retail. Also, your wholesale resources will require your resale number. Sales taxes have a myriad of rules. The CDTFA can be helpful in assisting in understanding rules for your specific business. Go to <https://services.cdtfa.ca.gov/ereg/index.boe>
  
- **BUSINESS FORMS, AGREEMENTS & CONTRACTS:** Have an attorney or legal assistant review all written agreements/contracts to be sure you are protected, as well as your clients. Be sure to include a disclaimer on your written contracts.
  
- **EMPLOYEES:** You could hire employees through a Temporary Agency and they pay all the employment taxes. You must report wages to the IRS & FTB and file payroll tax returns quarterly. There are deposit requirements that become due more frequently. It is suggested that an outside payroll service be used, as it has been proven to be more cost efficient and error free. If hiring employees and help with California employment laws and regulations click <http://labor.ca.gov/laborlawreg.htm>
  
- **EMPLOYEE vs. INDEPENDENT CONTRACTOR:** Click here to obtain the descriptions - <https://www.irs.gov/taxtopics/tc762>. It is very import to understand the difference. Do not miss-characterize an employee as an independent contractor.
  
- **WORKERS COMPENSATION:** is a form of insurance providing wage replacement and medical benefits to employees injured in the course of employment in exchange for mandatory relinquishment of the employee's right to sue his or her employer for the tort (wrongful act of negligence causing someone else to suffer loss or harm resulting in legal liability). State of California: <http://www.dir.ca.gov/dwc/> . Ask your business insurance provider for information and quotations.
  
- **BOOKKEEPING:** Having a set accounting procedure will help in getting files organized for taxes, tracking expenses, and determining profitability. Get bookkeeping help if you do not have training. At the least have a good bookkeeper set up your Chart of Accounts. There are accounting programs available such as QuickBooks, See our QuickBooks Workshops at <https://sandiego.score.org/search/site/quickbooks>

- **COMPUTER & OFFICE ASSISTANCE:** There are companies that will set up your computer system and service you via the Internet from a remote location. Keep separate folders for each client, resource, etc. There are websites that will help you set up your filing system. Search home office filing system.
  
- **HOME USAGE DEDUCTIONS:** It is important to understand the U.S. Internal Revenue Service's tax 587 guidelines for a home business or office. It is an outstanding resource when setting up a home business. The requirements and information are vital when seeking the maximum amount of home business tax deductions. Tax deductions are derived from the portion of your home used exclusively for business. Deductions include portions of the home's mortgage interest, utility costs, property taxes, etc. See [www.irs.gov/pub/irs-pdf/p587.pdf](http://www.irs.gov/pub/irs-pdf/p587.pdf)
  
- **BUSINESS USE OF PERSONAL VEHICLES:** You also may reimburse your business-related travel mileage but not the personal use. You **MUST** keep a mileage log and calendar showing who and where you went on business. <https://turbotax.intuit.com/tax-tools/tax-tips/Small-Business-Taxes/Business-Use-of-Vehicles/INF12071.html> .Check with a tax preparer for further help.

**YOU ARE “LIKE” AN EMPLOYEE:** You are not an employee; you are the owner of the business.

Remember, you are working, but not paid for your labor. You get what is left after paying your business expenses. Consider what your *wages* would be and include that in your plan. Did you start the business to create only a job for yourself?

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