

## **The 'business' of Working-At- Home as an Independent Contractor**

When looking at home-based opportunities, there's a good chance you'll have to work as an independent contractor, not an employee. This can be a daunting prospect for many people who prefer the simplicity of employee status. However, you shouldn't dismiss an opportunity simply because you're unsure of how to handle the tax liabilities associated with being an independent contractor.

As an independent contractor, you are, in essence, working for yourself. Your paycheck will not have taxes deducted, so you'll be responsible for keeping track of your tax liability and planning and saving accordingly to make such payments.

Another difference: as an independent contractor, you do not receive traditional employee benefits such as paid vacation or sick days, health insurance benefits, and other perks. (You may be able to buy into big group insurance programs at a discount rate, but the entire cost would be yours to bear.)

As an employee, you use your social security number for tax identification purposes. As an independent contractor, you will likely need a tax identification number (TIN). If you've formed a corporation, LLC, or partnership, you will obtain a tax ID number for that entity. If you are a sole proprietor (self employed); you may be eligible to use your social security number as your tax identification number. At year end, the company or companies that you have performed work for will send you a 1099 stating your wages instead of a W2, which is reserved for employees.

There are many incentives to being an independent contractor. You are eligible to deduct the costs of maintaining your home office and other expenses from your income tax. You also have enormous freedom to pick and choose the assignments and opportunities that appeal most to you versus being told daily what to do by one manager.

Millions of people have successfully mastered the paperwork and oversight required as an independent contractor. If they can do it, you can too. So when considering home-based opportunities, choose the work that is most appealing to you, and then consider the employee versus contractor status secondary.

In some cases, you will be required to incorporate. This is a very simple process that is handled through your home state. The corporate entity that you form is the entity through which you will operate your interactions with the companies you opt to work with. It is also that corporate structure that enables you to maximize any number of tax advantages.

### Helpful Links:

\*Arise, is one of the companies that requires all of its home-based agents to incorporate, and they offer a great list of links to each state's website for incorporation steps.

<http://www.arise.com/content/state-sites.asp>

\*The IRS website offers information on all of the tax considerations and advantages/disadvantages of employees versus independent contractors. [www.irs.gov](http://www.irs.gov)

\*SCORE is a great organization for help with determining what type of legal entity would fit your "company" best and then is helpful in guiding you on establishing the proper set-up.

[www.score.org](http://www.score.org)

You may also contact any tax professional or lawyer to help you make the best choice for you and to advise you on the legal and tax ramifications of your desired choice.

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