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Column: Preparing for a home business, part two

BY MICHAEL GOLDMAN

People working from home have a number of issues to consider during the course of launching their business. [Part one](#) of this article examined entity formation, protecting confidential information, employees versus independent contractors and contracts with third parties. Here are more key steps toward making a home business a success:

Insurance

You need to check with your homeowners insurance agent to see whether operating your business from your home affects your policy, or whether you are not covered for liabilities that arise from the business' activities at the premises. Depending upon the activities at your home, you may need to buy additional coverage (generally very inexpensive) to make sure that your premises' liability will extend to acts arising in the course of your business. Your auto insurance policy also may need to be updated if your amount of business-related driving is beyond what you had reported on your insurance application. In addition, many small business owners are surprised to find out that there is relatively inexpensive liability insurance (which can include defective product or errors and omissions coverage) for their type of business. Such policies usually cover your legal fees if you are sued by a client or customer for a product defect or negligent consulting advice.

Zoning

If you are using your home office merely for phone calls, file storage and a place for you, alone, to work, your home business is unlikely to raise any zoning concerns. However, if your home business involves visits from others (customers, colleagues, employees, contractors, etc.) or entails more than the occasional shipment of materials or products, you may actually have a zoning problem. Local zoning ordinances govern the use of property and are designed to protect the health, safety and general welfare of the greater community. For the same reason that zoning normally does not permit industrial buildings in single family zones, zoning also may limit what non-residential activities a person can do in his or her home. Therefore, you should not spend a lot of money fixing up your basement or home office to accommodate employees, a satellite tower, and an expanded parking area (installed on what used to be a part of your grassy lawn) without knowing whether you first need a zoning permit. Between nosy neighbors, the building department (for permits), the tax assessor and competitors, the local zoning officials generally know everything that is going on in town. If you are having frequent visitors or the FedEx truck

knows its way to your house without a driver, you should not expect to be able to keep your business use secret from the zoning authorities for long. If you are in violation, the municipality can have the right to impose a cease and desist order. It can be expensive to challenge or comply with cease and desist orders. If you are unable to challenge or comply, the monetary fines, demolition costs, etc. can be expensive and time-consuming. And, such cease and desist orders can be embarrassing as they are frequently reported in the newspaper and the local online news. Therefore, if your business involves having regular visitations at your house or lots of deliveries and shipments, consult with your attorney before plunging forward.

Obtaining permits

You might not anticipate that permits are needed for projects such as sign installation, sheds or accessory structures, fences and walls over 4-6 feet in height and demolition work. Changing windows to doors, moving plumbing fixtures to different locations, moving an interior wall, altering a driveway, or replacing roof shingles (even shingling over an existing roof) all require permits. If you are just hanging wallpaper or painting the walls, of course, you don't need a permit. Nor do you always need one for changing a toilet or sink and replacing it with the same item in the same space. One rule of thumb: anything requiring a dumpster requires a permit.

Your business is an investment. If your project does not comply with the codes and standards adopted by your community, the value of your investment could be reduced.

Building a team of professionals

Every self-employed person should assemble a team of professionals to assist in their respective areas of business. These professionals would normally be a lawyer, accountant, commercial insurance broker, and IT consultant. With liability protection, tax advice, insurance and technology covered, you can then focus your energies on what's really important: sales, increasing your expertise, and networking.

Knowing when to pull the plug

Declaring bankruptcy is a wrenching resolution for most people, necessitating uncomfortable and typically unpopular decisions such as abandoning the dream of a home business.

Most cases filed by individuals fall under Chapter 7 of the bankruptcy code and involve people experiencing a crisis that prevents them from meeting their financial obligations.

Fear of their financial affairs becoming public is common, but bankruptcy proceedings are not published and rarely involve a court appearance. Many individuals fear, also, that they will lose everything they possess in a bankruptcy, but that is not the case; many assets (such as the debtor's home, most household goods, engagement and wedding rings) are exempt and can be kept by the filer.

Those filing under Chapter 7 also may retain their retirement accounts, social security payments and other government-subsidized benefits. Properly funded college accounts for the debtor's children are also beyond the reach of creditors in Chapter 7. Personal injury claims and payments also can be protected with proper planning.

While there are many protections for filers, some discrimination against those who have filed Chapter 7 does exist. Private employers can refuse to hire a person who filed for bankruptcy. Landlords can refuse to lease to a Chapter 7 debtor. Private colleges can deny transcripts. There

are other issues that may arise and it would be a wise move to determine all the benefits and drawbacks before deciding to file.

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