



A Guide to Starting Your First Home-Based Business

Home-based businesses are increasing in popularity. Thanks to the flexibility and low overhead costs home-based businesses offer, working from home is a low-risk entry point into the world of entrepreneurship. However, home-based businesses are still held to many of the same standards as brick-and-mortar businesses, as well a few unique to home-based businesses.

To start a home-based business, follow these five steps.

Assess the Viability of Your Home-Based Business

The first thing to do is check that you can legally operate the businesses out of your home. [Zoning laws](#) and homeowners associations limit traffic and signage related to home-based businesses. If your business idea violates current zoning laws, you can apply for a zoning variance. However, there's no guarantee your case will be approved.

Business owners should also ensure their home is compatible with a home-based business. An office with a separate entrance is ideal for a home-based business. If you don't intend to see clients at home, a small office space is adequate. However, it's important to ensure you'll be able to work effectively at home despite the distractions of family life.

Register your Business

Unless operating as a sole proprietor under your own name, your business [must be registered](#) with the Secretary of State by filing a name reservation request. By registering your business, you reserve exclusive use of your business name within your state and industry. You can also select a legal business structure by filing a Certificate of Formation following receipt of the Certificate of Name Reservation. Most small businesses operate as a sole proprietorship, LLC, Partnership, or S Corporation. To learn more about each business structure, read the Edward Lowe Foundation's guide by [clicking here](#).

If you've elected to operate under a structure other than sole proprietorship or single-member LLC, you'll also need to apply for a federal tax ID, known as an [EIN](#), with the IRS. Sole proprietors and single-member LLCs can elect to apply for an EIN or use their Social Security Number for tax purposes. Business owners must also apply for a [state tax](#) account number with the Department of Revenue.

Apply for Licenses and Permits

Certain industries require [special licenses and permits](#) to operate. Apply for all necessary federal, state, and professional licenses and permits before beginning operation. In addition to industry-specific licenses and permits, home-based businesses must apply for a home occupation permit and business license with their city.

Create a Home Office

Any home-based business needs a dedicated space to work. Setting up a home office also comes with tax advantages through the [home office deduction](#).

At minimum, a home office should include an [ergonomic workstation](#) with high-speed internet connection and a dedicated phone line. In most cases, this means upgrading to a business-grade ISP and adding network cabling. On average, business owners should expect to pay between [\\$89 and 202](#) to wire a home office for connectivity.

If clients will be visiting your office, a professional appearance is important. Choose a room with a private entrance, good lighting, and basic office equipment like a printer and filing cabinet.

Pay Taxes

As a business owner, you're responsible for remitting [tax payments](#) to the IRS on a quarterly basis. Depending on the nature of your home-based business, you may also owe payroll taxes and state sales taxes. Failing to pay the appropriate taxes will result in penalties.

Keeping good records is essential for paying business taxes. Have record-keeping systems in place before starting your business. Consider [hiring an accountant](#) to manage business finances and prepare taxes to avoid costly errors.

Entrepreneurship is a path to a rewarding career, and home-based businesses are an excellent way to get started. However, operating a business out of your home doesn't exempt you from the legal and financial considerations all entrepreneurs face. To give your home-based business the best possible chance of success, ensure you follow these five steps to start your business.

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