

Home is where the startup is

Written by By Finance New Mexico
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The blueprint for starting a home-based enterprise in New Mexico can be a simple sketch or a complicated technical drawing. It all depends on the business type and location.

Common to all businesses is the need to pick a structure, secure a Combined Reporting System number, register with the city or county, obtain required permits or certifications and decide whether to hire employees and interact with customers or to work alone as an independent contractor.

The individual working from home also must comply with zoning laws, secure a certificate of occupancy and business license and track deductible costs related to home-based businesses.

LICENSE AND REGISTRATION

New Mexico's municipal governments have rules that entrepreneurs must follow to operate from their homes. For example, a home-based business in the city of Santa Fe can't inhabit more than a fourth of the square footage of all buildings on the property; Santa Fe County, by contrast, allows a business to occupy up to 50 percent of a dwelling.

Getting a home-based certificate of occupancy is the place to start. Applying for this certification requires filing a letter that describes the business and submitting a sketch of the floor plan that identifies the office or business space and a map of where the home is located. Some cities require home-based businesses to undergo building and fire inspections.

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A business with no clientele or employees submits the basic application. A business with customers and employees also must notify the owners of all nearby homes or properties and any homeowners or neighborhood associations, demonstrate that employees and customers can park at the residence without affecting neighbors, and comply with accessibility requirements of the Americans with Disabilities Act.

The home-based employer has to register as such with the state Department of Workforce Solutions and comply with state and federal employment regulations and laws.

Once the certificate of occupancy is approved, it's time to license the venture. Here, too, the business type and location determine how complicated this process is, which is why the aspiring entrepreneur should visit the city or county website where the business is based to research what steps are needed.

FOLLOW THE MONEY

Home-based businesses are entitled to claim a percentage of the expenses associated with keeping the business heated, illuminated and connected with the world.

The percentage that's deductible on the Internal Revenue Service's Form 8829, "Expenses for Business Use of Your Home," is proportional to how much of the home's total square footage is occupied by the business, though there are limits to how much can be claimed.

The owner should determine which formula provides the best tax advantage: tracking and itemizing each eligible expense, such as utility costs and mortgage interest, or using the simplified method of multiplying the occupied square footage by an amount set by the IRS (in the 2016 tax year, it was \$5 per square foot).

The state's largest cities and counties retain business ombudsmen to help businesses in their jurisdictions understand the rules that apply to home-based businesses. In small or remote communities, county and municipal websites are the places to start.

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For information about taxes and deductions related to home-based businesses, turn to workshops at WESST or the Small Business Development Center Network. Find these and other resources by clicking on a community listed at <https://growitnm.org/municipal-index/>

Finance New Mexico connects individuals and businesses with skills and funding resources for their business or idea. To learn more, go to www.FinanceNewMexico.org

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