

# Micro Business For Teens Money and Taxes

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## What is a Micro Business?

- Simple and fast start up
- Sole proprietorship
- Little start-up money
- Usually home-based
- Low risk
- Manageable
- Easy to close down
- Purpose to learn and earn

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## Starting a Micro Business

- Ideas
- Business Plan
- Pitfalls
- Financing



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## Running a Micro Business

- Sales
- Marketing
- Record keeping
- Legal information
- Time Management



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## How to Make (more) Money

- Examine your motivation
  - Goals? \$\$ or experience
- Increase Sales
  - Sales presentation
  - Marketing
- Decrease Expenses
  - Record keeping

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## Sales Presentations

- Briefly describe your product or service
- 2-3 main benefits
- Tag line
- Price
- Contact information
- Call to action

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## Sales Presentation: Adam

- Jedi knight at parties
- Safe light saber fighting
- "Do you dream of becoming a Jedi knight?"
- Price \$50-\$75
- Brochure with phone & email
- "Give me a call to book your party!"



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## Marketing

- Local markets
  - Fliers
  - Business cards
  - Emails
  - Word of mouth
- On-line
  - Website/blog (I like Wordpress.com)
  - Social networks
  - Email lists

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## Record keeping

- Record keeping = success
  - Kept records monthly 79% survival
  - Kept records annually: 36% survival
- How am I doing?
  - Did I make a profit?
  - What's working?
- Lower taxes

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## Amanda's Dance Lessons

Date	Check Number	Description	Income	Advertising	Supplies	Other	Inventory
Jan 3	cash	water			\$10.00		
Jan 3	debit	business cards		\$24.00			
Jan 5		Tuesday class, 5 students	\$250.00				
Jan 5		Sell 3 T shirts	\$30.00				
Jan 7	debit	video				\$15.00	
Jan 9		Sat class 6 students	\$300.00				
Jan 9		Sell 2 T shirts	\$20.00				
Jan 12		Tuesday class, 1 student	\$50.00				
Jan 12		Sell 1 T shirt	\$10.00				
Feb 8	cash	water			\$10.00		
Feb 20	120	Buy 20 T shirts					\$135.00

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## Software

### Spreadsheet

- Open Office Calculate (free) or MS Excel
- Simple, cheap

### QuickBooks, GnuCash, Freshbooks

- Allows for inventory
- Invoices
- Simple to complex businesses
- Add-ons for payroll

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## Legal Information

- Doing Business As (DBAs)
- Business Licenses
  - Business.gov/register/licenses-and-permits
  - Vendor license if you sell products
  - Health permits
  - Zoning, sign & occupancy permits
- Tax ID number (EIN)
  - www.IRS.gov

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## Taxes

- Federal Income tax
  - 0% up to a profit (net income) of \$5,700 (2010)
  - 10% for profit of \$5,700 to \$8,350 (2010)
- Teens file their own tax return
  - Can still be parents' dependent
  - Schedule C Business Income
- TeensAndTaxes.com



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## SE Tax: The Hidden Tax

- Self-Employment Tax (Social Security & Medicare)  
15.3 % of profit over \$400
- Tom earns a profit of \$7,025  
Federal Income tax = \$84  
Self Employment Tax = **\$993**
- You can owe little in income tax, but owe a lot in SE tax!

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## Reducing Taxes

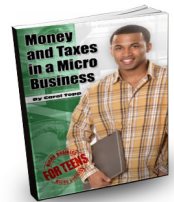
- Household employees
  - No Self-employment tax!
  - Work in or around household
    - Childcare, lawn care, house cleaner
- Tax deductions
  - Mileage, advertising, education, etc.
  - Keep good records, receipts

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## More Information

### *Money and Taxes in a Micro Business*

Income  
Cash Flow  
Profit  
Federal Taxes  
State & Employer Taxes  
Sales Tax  
Employees and contractors  
Working with an accountant



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## Questions?

- Ask me about...
  - LLCs
  - Hiring employees
  - Partnerships
  - Sales tax
  - Anything else!

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