

MINORITY BUSINESS REPORT

It's a Family Affair

Owning a family business is described by some entrepreneurs as the ultimate business experience. They envision working side by side on a daily basis with family members, building up the business, and eventually turning the business over to sons and

daughters, and future generations of family members. If that sounds like your dream, start by letting your children work in the business at an early age. The experience will be invaluable. They will receive guidance and direction, as well as on-the-job training that should take them from basic business practices, all the way through increasing levels of responsibility. They will also learn the purpose of the business, and the philosophy of why the business exists; and they will have many opportunities to decide if they share the family dream strong enough to dedicate much of their working life toward making the dream a reality.

popular once again; however, not all entrepreneurs share the desire to own one. This group tells me it's imperative to separate family from business to maintain balance, and a clear perspective on both. It really is a family affair that can only be decided within the family.

The Micro-Enterprise Loan Program can assist you with small business loans, business education, and technical expertise.

Call 722-9600 for an appointment, and take advantage of the many services available to help small business owners in Forsyth County.

Earned Income for children can be a significant tax savings for families. The IRS has a "Kiddie Tax" that applies to children under age 14. This tax is levied on any unearned income children receive in excess of

\$1,300 each year. The rule applies to income they received, but did not earn working on a job, for example, income from interest on a savings account in their name, dividends from stocks and bonds in their name, or capital gains resulting from profits made from sale of property that listed them as the owner. This income is completely taxable to the child, and will be taxed at the parent's highest income tax rate.

Let's Get Down to Business

Evelyn McMahon



Finally as a precautionary measure, and to prevent the IRS from challenging the validity of wages paid to children in the family business, 1) Write a job description for the position the child holds 2) Document a weekly work schedule, and make sure the child works his or her normal working hours each week all year long 3) Keep accurate, up-to-date, weekly time sheets and payroll records for them and 4) Make the pay scale commensurate to the work being done. The IRS might take notice of \$50 an hour being paid for stuffing envelopes, and could decide to call for an audit investigation of your business that could be time consuming and very costly.

The family business concept is

Tax Benefits
Children under 14 can work for their parents in the family business, performing tasks such as stuffing and addressing envelopes, running errands for the business, or delivering mail. Under these conditions, the child's salary is considered earned income. The maximum standard deduction for earned income in 1997 is \$4,150. This means if your child is paid \$4,150, the standard deduction will eliminate all taxes on his or her income. Also, if the family business is not incorporated, all wages paid to children under the age of 18 are not subject to Social Security taxes; therefore, parents (as owners of the business) are not required to pay the employers portion of Social Security taxes (FICA).

Insurance Benefits
Again, if the business is not incorporated, children, spouse, or any relative or next of kin working in the business, may be able to receive coverage under the business's health insurance plan. The business will receive a tax deduction for the insurance premiums paid for them.

Children working in the family business can also make contributions to an Individual Retirement Account (IRA). They can contribute up to \$2,000 of their total earned income each year. If you combine the IRA deduction with the standard deduction of \$4,150, the child could receive as much as \$6,150

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