

ZONING

When opening a home-based business, you must check local zoning laws. Most ordinances that restrict home businesses stem from a need to protect the neighborhood. Many of these ordinances are now outdated but still remain on the books. Therefore, violation of a zoning law is a crime punishable by a fine and/or business closure.

Zones are divided into four classifications:

- 1) Residential
- 2) Commercial
- 3) Industrial and
- 4) Agricultural

Residential zoning presents the most problems for home offices. The most common restrictions include:

1) **No on-site sales.** Residential zoning doesn't allow operation of a store out of a home with some minor exceptions. The concern is that the sale of merchandise will create an increase in traffic that will change the character of the neighborhood. Many businesses use mail order or deliver goods directly to the customer in order to remain compliant with the law. Service businesses go to the client to avoid traffic in the business office.

2) **Space limitations.** Ordinances set the amount of square footage that a business can use. This creates havoc in office design.

3) **No deliveries.** The concern is that traffic takes away from the residential nature. Owners may solve this issue by picking up merchandise rather than having it delivered.

4) **No inventory storage.** This is an issue of safety. It guards against on-site sales. Owners may locate their inventory off site at a storage area to avoid this concern.

5) **Environmental concerns.** Ordinances guarding against pollution, noise, hazardous waste, etc. are strictly enforced because they directly impact the viability of the neighborhood. Certain types of businesses, no matter their compliance intent, will not be allowed.

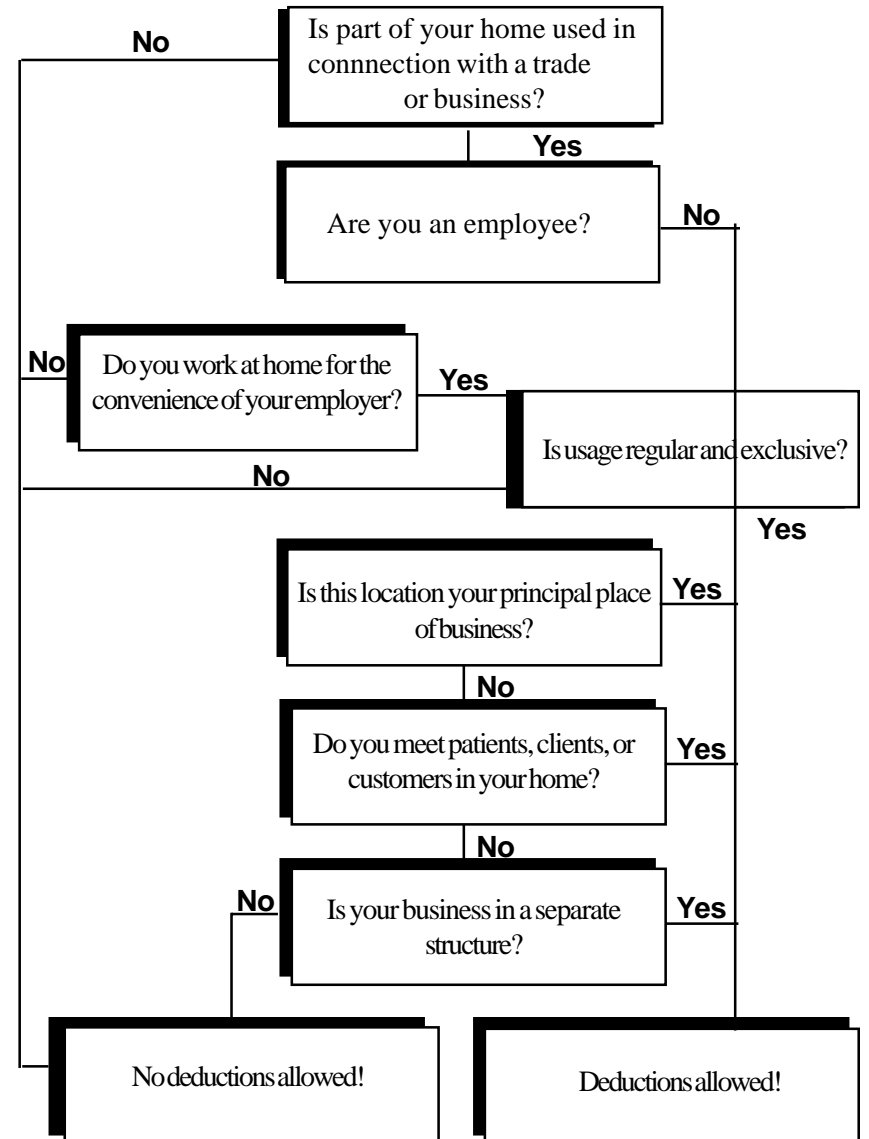
6) **No business signs.** Generally, signs and other means of advertising cannot be displayed. This could include signs on vehicles normally parked in the area. Owners can use magnetic signs which are removable from vehicles, in order to comply with this ordinance.

7) **No employees other than family members.** This restriction limits the growth of the business. It is the most difficult to overcome because owners will have to "house" employees at other locations, thus depending upon them to work with little or no supervision.

Contact the Zoning Commission for a copy of zoning ordinances. Study them to understand what you can and cannot do. Keep up to date with changes that might influence the zoning in your area.

Deduction of Business Use of Home Expenses

(Note: Day Care and inventory storage are exceptions to this exclusive use test.)



- a. *fire, theft, and casualty damage to inventories and equipment;*
- b. *business interruption;*
- c. *bonding problems;*
- d. *customer, vendor, and/or visitor liability issues;*
- e. *workmen's compensation claims;*
- f. *health and life insurance concerns;*
- g. *product liability claims (if you make or sell a product); and*
- h. *business use of a vehicle.*

6) **Set regular business hours.** Customers will take you seriously if you have a regular schedule. If you aren't available when they call, they'll look somewhere else. When you have to be away from the office during normal work hours, have a way to receive your messages and **return calls as quickly as possible** when you return. **Protect work hours** by letting family and friends know when they shouldn't disturb you. Friends may drop in for a visit during those hours if you don't make the ground rules clear.

7) **Protect free hours.** Protect those hours you are closed. Inform your customers of office hours and that you will not receive calls during other times. At the end of your working day, turn on your answering machine and shut the door to your business.

8) **Be self-disciplined.** You have to be willing to work long hours when your business requires it.

9) **Dress for success.** Dress for the industry of your particular business. Just because you are working at home is no reason to dress like a slob.

9) **Be credible.** You don't want your business to be thought of as a hobby. You will have to spend time developing credibility with your customers.

IRS regulations for home-based business deductions have changed over the years. They are complicated and confusing. Review the enclosed chart for a better understanding of "when" you can deduct business use of home expenses. The source used is *IRS Publication 587, "Business Use of Your Home."*

Whatever route you choose in starting your business, ensure success by identifying all of the activities necessary for your business's development and plan each task. On the following pages are some exercises designed to help with this process. Complete each work sheet and answer each question in as much detail as possible. Remember, when you complete your business plan, these questions will have to be answered. Now is a good time to begin to start your thinking process.

The Northwest Oklahoma SBDC, located in Alva at NWOSU - - with offices at the Enid NWOSU campus and Guyman, Oklahoma - - covers a large portion of Northwest Oklahoma.

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DEVELOPING A HOME BASED BUSINESS

Home-based businesses have become extremely popular over the past decade or so. These types of businesses can be very successful, but they can also be disastrous if improperly organized and managed. If you decide you want to operate a home-based business, there are steps that you can take to help ensure your success. These include:

- 1) **Follow all applicable business setup steps.** (*See Business Start-up pamphlets 1-8*)
- 2) **Check zoning ordinances** to see if a business is allowed in your neighborhood. (*See zoning information contained within this pamphlet.*)
- 3) **Organize your work space in an efficient, effective manner.** Eliminate non-work items from the space so that you will not be tempted to mix business with pleasure during working hours. The rule of thumb is: If a customer walks through the door it should “feel” like a business. And, if you intend to take IRS deductions, the law requires the space be totally separate from normal home use.
- 4) **Take care of legal responsibilities.** A home-based business has the same legal requirements as other businesses. You will still need:
 - a. licenses and/or permits (if your industry requires them);
 - b. to set up a business checking account;
 - c. to set up an effective accounting system; and
 - d. to have a business phone installed.
- 5) **Make certain the site is insurable.** It is almost certain that significant changes will be required in your coverage and limits when you start a home-based business. Call your agent for help in insuring your property against hazards such as:

Starting Your Own Business

Developing A Home-Based Business



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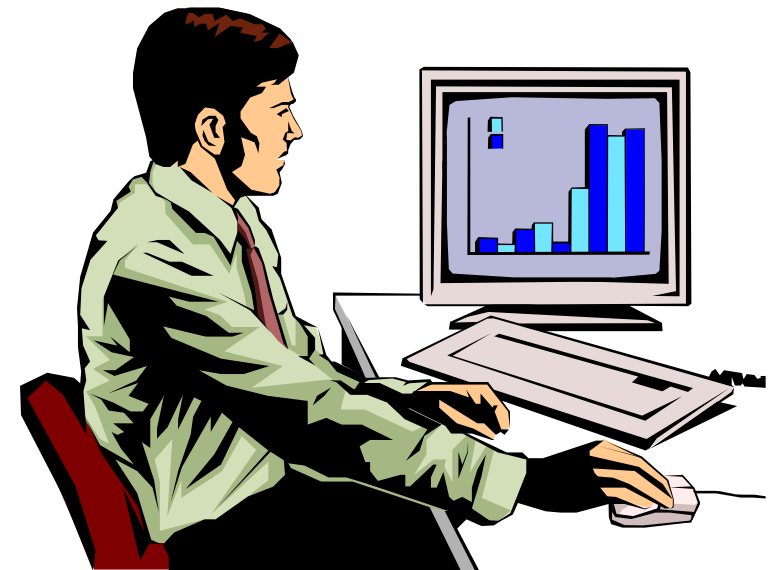
Oklahoma Small Business Development Center
Northwestern Oklahoma State University

in coordination with the

Service Corps Of Retired Executives

and in a partnership program with the

U. S. Small Business Administration



This material is based upon work supported by the U.S. Small Business Administration (SBA) under Cooperative Agreement # 7-7770-0038-20. Any opinions, findings, and conclusions or recommendations expressed in this publication are those of the author(s) and do not necessarily reflect the views of the U.S. Small Business Administration.

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Revised, 04/2005

developed by
OSBDC at NWOSU