



Best Business Practices: Real Estate

Square Footage Matters

Many homeowners and renters use their home for business, especially in the post-pandemic age. Here's a tip for business owners working from home.

Commonly known as the "Home Office Deduction," business owners have access to tax savings for the portion of their home they use in the ordinary course of business.

To take advantage of the Home Office Deduction, calculate the square footage of all spaces used exclusively for business. Have your tax advisor guide you through the qualified percentages per expense.



Primary Residences And Business Benefits

Get Most Benefit Out of Your Business By Treating Your Home Like a Business Asset.

Whether you are a renter or a homeowner, and despite what state you live in, operating a business out of your home can allow you flexibility with handling expenses around the house.

If a portion of your home is used entirely for business, you may deduct the expenses - even if the space is a garage or attic. So long as your primary residence is the primary place where you conduct business, you may save on the business portion of real estate taxes, mortgage interest, rent, casualty losses, utilities, insurance, depreciation, maintenance, and repairs.

Keep Up With Paperwork

Using a primary residence for business requires good accounting practices that ensure your business and personal records are up to date.



Operating a business out of your home will require an annual Profit & Loss (P&L) Sheet along with information about your monthly expenses and personal income.



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Preparing Yourself for a Business Asset

Before purchasing any asset under any business name, especially a residential home, a business is required to show income that proves it can safely manage the cost of the new asset.

When considering the purchase price of a new business asset, the bank will look at a business' Debt-to-Income ratio to determine eligibility for funding. A financial institution may also ask for two years of tax returns from the business and even an up-to-date resume.



Purchasing Your First Investment Property

Real Estate is a Great Way to Increase Cash Flow and Build Generational Wealth.

When owning a home that you are not using as a primary residence, additional considerations other than cost-of-living and neighbors are at the forefront of a new investor's mind.

Buying an investment property under the name of your business is one way to begin investing in real-estate. However, because business owners and shareholders are protected by limited liability, financing an investment property from a bank or credit union may become a complex process. Be Prepared & Stay Ahead of the Curve!



Take It to the Bank!

Negotiating with a bank is a daunting process. When financing an investment property, include a complete business plan and a lease agreement to make the process easier.



Proving to a financial institution that allowing your business to finance an investment may be an uphill battle, but with the proper documentation and prerequisites, you will have a head start to your first investment property!