

SelfInformed

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NASE Member Pat Bennett was in business for a year and a half before she hired her first employee.



READY TO BE THE BOSS?

5 Five Questions to Ask Before You Hire Help

By Kim O'Connor

Many small-business owners assume they'll just know when it's time to expand operations. The decision seems intuitive:

If business is booming, and you feel overwhelmed, **it's time to hire help.**

But, like most things in life, hiring decisions are rarely straightforward. Bringing an employee onboard—particularly your first employee—is a big decision that involves many complex factors.

Here are five questions to ask that will help you determine if it's the right step for your small business.

1. How much will it cost?

Chances are, you know the salary (or hourly rate) you're willing to pay.

But the true cost of an employee goes beyond his or her wages. You need to make sure you've thought of all associated expenses.

First, consider all the hidden costs. Depending on your state and your business, these costs might include:

- Payroll taxes
- Workers' compensation insurance
- Unemployment insurance
- Benefits (such as **health insurance**, paid time off and other perks you offer).

Don't forget to consider training expenses and equipment such as uniforms, vehicles, office furniture, electronics or other supplies.

Once you complete these calculations, you should have a good idea of how your employee's price tag will impact your cash flow.

2. Will my business become more profitable?

"The golden rule for hiring any employee is you need to add additional profit to the bottom line," says Gene Fairbrother, the lead consultant for the [NASE's Business 101 program](#). "If an employee isn't profitable, he or she is probably not worth hiring."

There are two different ways your new hire can boost profits.

The first is when the employee's labor directly produces new income by serving more clients or creating more products. The second is when the employee's labor gives you more time to focus on income-generating aspects of your business.

Either way, the employee creates the opportunity for growth.

The only reason to hire someone who won't enhance your bottom line is if it improves your quality of life.

For example, a business owner who wants to spend fewer hours at the office may decide to hire an assistant. That would free up time for hobbies, volunteer work, family time and other lifestyle activities.

LEARN MORE

For more in-depth information about hiring employees, check out these online NASE articles. They're free exclusively for NASE Members.

- [Young Guns: Could Generation Y Employees Be The Solution To Your Hiring Woes?](#)
- [How To Hire Your Brother: Use Caution When Giving Relatives And Friends A Job](#)
- [A Guide To Hiring Disabled Workers](#)
- [The Home Office: Now Hiring](#)

3. What are my exact needs?

As a small-business owner, you probably wear many hats. You're accustomed to filling different roles on the fly. You do whatever it takes to get the job done.

Before you hire an employee, it's important to carve out a specific role for that person. With the role defined, you can conduct a targeted search for someone who meets your exact needs.

Write a formal job description that includes a breakdown of day-to-day tasks. Be forthright and realistic about your expectations so you know what type of person and what types of skills you're looking for.

Another useful exercise is to list your professional weaknesses. (Don't worry. You don't have to show anyone.) A new employee can help you fill in these gaps.

You want someone who will complement, not duplicate, your strengths.

4. Should I work with an independent contractor instead?

Consider your workload when answering this question. Is it relatively stable or frequently in flux?

If you habitually feel overworked, a long-term solution makes sense. You should feel comfortable committing to a permanent employee because your needs are unlikely to change.

If, however, your business is volatile—for example, if you have a seasonal business or if you're in crisis because of an unusually large project—hiring an independent contractor is probably a good option.

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THE NASE CAN HELP

If you're considering hiring an employee, make sure you understand all of your responsibilities as an employer. The **NASE small-business experts** can help.

Our experienced professionals answer your specific questions online with personal, confidential replies. And it's included in the cost of your NASE Membership.

Get answers to hiring questions such as:

- Should I hire an independent contractor or an employee?
- Do I have to provide **maternity leave** for an employee?
- Is my business required to pay for unemployment insurance?
- How do I calculate payroll taxes?
- And more!

Independent contractors (also known as freelancers) are paid by the hour or by the project on an as-needed basis, so they offer the benefit of flexibility.

"With a contractor, it's easier to take a risk," Fairbrother explains. "You don't have to really crunch the numbers like you do if you're hiring an employee.

"You may pay a few dollars an hour more for the service," he adds, "but you're not locked into trying to give an employee so many hours a week. If you only need two hours, you pay for two hours. If you need 10 hours, you pay for 10 hours."

One caveat: Keep in mind that flexibility works both ways. Freelancers often juggle many clients, which means their availability isn't necessarily a given.

Also, budgeting for an independent contractor can be tricky since it's not a fixed expense like an employee's wages.

5. Am I ready for the responsibility?

Becoming a boss comes with certain legal obligations.

For example, you'll need to know **how to protect an employee's health and privacy rights**, **how to develop an employee handbook** and much more.

It's your responsibility to research the federal and state regulations (such as tax laws and insurance requirements) that apply to your business. Compliance is important, so this isn't an area in which you can cut corners.

Another part of being a boss is investing time in your new employee. From interviewing, to training, to providing ongoing support and feedback, you can expect to clock some serious hours in your role as a supervisor.

If you're on the fence about making a commitment, Fairbrother recommends using a temporary service, which is like having your own human resources department. A temp service will handle time-consuming processes, such as screening employees, as well as unpleasant ones, like letting someone go if things aren't working out.

Finally, keep in mind that instead of expanding your business, you can always go in the opposite direction and scale back. Options include reducing your client roster, limiting production or cutting certain services.

Leading a team isn't for everyone, so there's no need to force it. You're under no obligation to expand if it doesn't feel right.

Remember, you're the boss. ■

Kim O'Connor, a freelance writer in Chicago, has an imaginary assistant.



Ask The Experts

Q: *Can you take Section 179 depreciation on used equipment? Where is this deduction explained in the IRS rules? I've been struggling through Publication 946 and can't find any requirement that the equipment has to be new to qualify for the deduction.*

A: The equipment does not have to be new to qualify for the Section 179 deduction nor for accelerated depreciation options. The equipment can be used. The only requirement for qualification is that the equipment has been acquired by purchase.

Learn more about this in IRS [Publication 946: How To Depreciate Property](#) on Page 18 under "What Property Does Not Qualify?"

Basically, to qualify, you cannot contribute the property to the business, have someone else contribute the property to the business or get the equipment from a related property. However, if you bought a used commercial truck that would otherwise qualify for one of these accelerated depreciation options, the fact that it is used would not preclude the deduction.

Q: *How do I handle the new 1099-K reporting requirement if the credit card money my business collects isn't actually income for us, but is income for my clients? My business collects credit card payments on behalf of my clients. We then put the funds in a liability account that we distribute to the client at a specific date or on demand. When we distribute the funds to the client, we deduct our small service fee from that amount and give them the balance. Thus, for our 2011 taxes, we are not reporting the total credit card funds as income because only a small portion of those funds is our actual income. How do I handle the 1099-K forms?*

GET MORE ANSWERS

The NASE's small-business experts are here to help you understand the ins and outs of operating a successful small business. And access to these professionals is free with your NASE Membership!

Just go online to the [NASE's Business Learning Center](#) where you can ask the experts questions about:

- Taxes
- Health care expenses
- Financial issues
- Employee relations
- Accounting rules
- And much more

The experts are available 24/7 and ready to help!

A: The good news is that the IRS will not be doing anything with the 1099-K reporting for 2011.

You may have noticed that there is a line included on the 2011 Schedule C for credit card receipts, but that the form actually says, "For 2011, enter -0-". There is still debate about this issue, and the IRS doesn't know what they are going to do with the information or the reporting requirements.

At the very worst, you will only need to include the total collected and then show the amounts paid to others as well as indicate that your total taxable income is the net of the two items. Again, this is one area that is being considered, and the IRS is expected to clarify the rules.

As always, you certainly should maintain adequate documentation and support for the information that is included on your tax return and, in this case, the information that is *not* included on your tax return. ■

Member Spotlight

Legal Learning

Jacqueline Crosby has been an NASE Member since 2011. She owns Crosby Legal Seminars in Newton, N.J.

Tell us about your business.

Crosby Legal Seminars is a legal education business dedicated to teaching the general public about the law through legal seminars on topics such as: divorce, child support and custody, employment law and unemployment compensation.

Our mission is to provide affordable legal education to the general public in a practical manner that is easily accessible to the average person. We seek to empower the public through education about the legal system and the law.

When and why did you start your business?

I started my business in 2009 as a response to the economic downturn, recognizing how legal representation is becoming increasingly inaccessible for much of the public, as well as the need for public legal education.

I was an unemployed lawyer when a business consultant made me aware that she believed there is a public need for people to be educated about the law. I thought it

was a good idea, but I had no idea where to begin. At first I thought that New Jersey Legal Services might be interested, but because of budget cuts, they had a hiring freeze. Finally I decided that I could just do it myself.

What obstacles have you faced in running your business?

Of course I've dealt with many obstacles: lack of financial resources, lack of public awareness about public legal education, and maybe worst of all, lack of support from other people.

But I believe that when there is a public need and an idea to fulfill that need, things will work out if you persevere. I educated myself, joined business networking groups and finally applied and received an NASE Growth Grant®, which has been a godsend.

What's your biggest success as a business owner?

I think the fact that after 2 ½ years I am still standing strong and moving forward feels like my biggest success as a business owner. After receiving the Growth Grant, things seem to be moving quickly for me now, and I'm sure that once my new website is complete, things are really going to take off. That's very exciting for me as a business owner, to finally see my ideas get off the ground and take flight!

How do you give back to your community?

I conduct free legal seminars for a private, non-profit corporation which serves the low-income population of Hunterdon, Sussex and Warren Counties in New Jersey. It feels good to be able to contribute my skills and knowledge to help my local community.

Any advice for your fellow NASE Members?

The NASE really helps business owners, so make the most of your membership! ■

GET PUBLICITY FOR YOUR BUSINESS!

Your business could be featured in SelfInformed's Member Spotlight or in another NASE publication. Let us know you'd like to be featured and tell us more about your business on our [Publicity Form](#).





SUPREME COURT CONSIDERS Health Care Reform

By Kristie L. Arslan

In an unprecedented 5 ½ hours of oral questioning, the Supreme Court recently heard the challenge to President Obama's biggest legislative accomplishment in his presidency, the Patient Protection and Affordable Care Act.

The court pondered four key health care reform questions:

1. The legality of the individual mandate
2. Whether a tax can be reviewed by the court before it takes effect
3. Whether the individual mandate can be severed from the rest of the reform law
4. The legality of the Medicaid expansion

The court's review of the law happened just as a public poll by CBS and The New York Times showed that nearly 47 percent of Americans disapprove of the health care law, specifically the individual mandate, and that two-thirds of Americans would like to see some or all of the law overturned.

Affordability of health care remains the NASE's top legislative priority.

However, there is broad support, 85 percent, for some of the key market reforms such as requiring insurance companies to cover people with pre-existing medical conditions and allowing adults to remain on their parents' insurance until age 26.

The NASE continues to oppose the individual mandate. The lack of cost controlling mechanisms in the law along with the mandate put America's smallest businesses in the

difficult position of being required by law to purchase more expensive health coverage.

In this difficult economic time, forcing small businesses to pay for costly health insurance without providing them with an affordable coverage option is too great a burden.

The association is supportive of the market reforms included in the law. But the NASE believes that Congress failed to address underlying issues of affordability when crafting the health care law.

Affordability of health care remains the NASE's top **legislative priority**. We believe strongly that if the Supreme Court strikes down the health care law in its entirety or just the individual mandate, that Congress should commit itself to working across the aisle to put forth common sense solutions that allow for a competitive health care market.

This market would let individuals pick and choose health coverage options based on their health needs with quality, affordable health plans in the mix for those with budget constraints. To that point, the NASE has actively pursued Congress to enact legislation that would allow for the permanent deduction of health care insurance for the self-employed, one of the easiest and quickest ways to bring equity to the health care market and lower costs.

Additionally, key reforms in health reimbursement accounts that would allow employers to reimburse employees for related health care costs is another way that tools already in the market can be used to address coverage and affordability issues. ■

Kristie L. Arslan is president and CEO of the NASE and provides critical insight to policymakers on issues affecting our nation's self-employed. You can contact her at advocacy@NASE.org.



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