

Utah State University

DigitalCommons@USU

Undergraduate Honors Capstone Projects

Honors Program

5-2016

Entrepreneurship: The Why and How of Starting Your Own Business

Braiden Coleman
Utah State University

Follow this and additional works at: <https://digitalcommons.usu.edu/honors>



Part of the [Accounting Commons](#)

Recommended Citation

Coleman, Braiden, "Entrepreneurship: The Why and How of Starting Your Own Business" (2016).
Undergraduate Honors Capstone Projects. 600.
<https://digitalcommons.usu.edu/honors/600>

This Thesis is brought to you for free and open access by the Honors Program at DigitalCommons@USU. It has been accepted for inclusion in Undergraduate Honors Capstone Projects by an authorized administrator of DigitalCommons@USU. For more information, please contact digitalcommons@usu.edu.



**ENTREPRENEURSHIP: THE WHY AND HOW OF STARTING
YOUR OWN BUSINESS**

by

Braiden Coleman

**Thesis submitted in partial fulfillment
of the requirements for the degree**

of

DEPARTMENTAL HONORS

in

**Accounting
in the School of Accountancy**

Approved:

Thesis/Project Advisor
Dr. Chris Fawson

Departmental Honors Advisor
Dr. Shannon Peterson

Committee Member
Professor Eric Schulz

Director of Honors Program
Dr. Kristine Miller

**UTAH STATE UNIVERSITY
Logan, UT**

Spring 2016

ABSTRACT

What resources are available to the new entrepreneur? How do I know if my business idea is a good idea? What are the tax advantages of starting your own business? My research answers each of these questions in addition to many other questions the new entrepreneur might have. Part of my research insights were gained by experiential learning: I took a business idea of my own and took it through several key processes such as business idea generation, business model creation, market research, and advertising. I sought to learn more about the resources available to the new entrepreneur. In addition to the experiential process, I conducted traditional research by reviewing articles, research journals, books, and other materials that can help the new entrepreneur. In summary, it is extremely easy for the new entrepreneur to develop a business idea, conduct surveys, engage with customers, create a website, advertise online, and reap numerous tax advantages. Such tax advantages include increased deductions to income and tax-free income payments to the taxpayer's children for their help in business operations.

ACKNOWLEDGMENTS

I would like to thank several professors who aided me throughout the process of creating my senior thesis. This includes professors Chris Fawson (mentor) and Eric Schulz (committee member). In addition, professor Vance Grange provided valuable insights. Without the help and direction of these excellent professors, I would have been severely disadvantaged in my work.

I would also like to thank other previous professors I've had who have encouraged me to excel and apply class material to real-life situations. Particularly professors Jeff Doyle and Kari Olsen were very influential in this regard. Above all else, these excellent professors and faculty in the Huntsman School of Business are who I would like to sincerely thank for their influence and mentoring.

TABLE OF CONTENTS (5,380 Words)

- I. INTRODUCTION
 - II. THE BUSINESS IDEA & MODEL
 - III. MARKET RESEARCH
 - IV. WEBSITE DESIGN AND MOBILE APPLICATIONS
 - V. ADVERTISING
 - VI. TAX CONSEQUENCES
- APPENDIX 1
- WORKS CITED
- REFLECTIVE WRITING
- AUTHOR'S BIOGRAPHY

I. INTRODUCTION

Many people have ambitions and ideas related to creating a new business venture.

Whether the new business venture is "on the side" and started in addition to a current full-time job, or if the new business is intended to replace current employment, the advantages and overall approach can be quite similar. In either case, what people don't fully realize is that creating a new business has several key financial advantages that, if correctly understood, can have tremendous effects on the individual personally and his/her family. The financial advantages and often overlooked strategies are explored herein.

In addition to the financial implications of a new business, perhaps the most difficult step is in determining if the business idea is legitimately viable and sought after by consumers. The traditional "business plan" is not all that helpful in determining demand characteristics and planning an overall business strategy. Thus, a new creation, known as the "business model canvas" more adequately covers the necessary bases in the design and implementation of new business ideas. Further, the business model canvas forces one to engage with potential customers directly, which increases the knowledge necessary to create truly unique business models.

In tandem with the business model canvas, one seeking a new business venture most also have a fundamental understanding of how to conduct effective surveys, gauge customer demand through Google Adwords, and how to engage with customers. Once the demand characteristics are determined, this leads one to develop an online presence that can be accessed via traditional desktop and mobile devices (it should be noted that sophisticated technical training is not necessary to create a modern, highly-functional website). This research exposes the advantages of and beginning steps to turning your business idea into something real and tangible.

To aid me in this process, I will take you through a business idea of my own at the end of each section to demonstrate how to apply the framework presented. The business idea that will be used to demonstrate the principles is as follows: an in-home technology support business that helps everyday people to resolve and more fully utilize technology in their homes. This will include smart home technologies (cameras, thermostats, door locks), computer assistance, TV setup, wireless Internet setup and optimization, smart phone and tablet help, and any other in-home technology related items.

II. THE BUSINESS IDEA & MODEL

The first key step in coming up with your new business (whether it be a side business or full-time venture) is to develop your business idea. Obvious, right? Without a business idea, you have no business. You don't only need a business idea, but you need to develop this business idea into something that could work. What most people are trained to believe, and part of the foundation for my work is to refute this fallacy, is that a given business idea is either entirely good or entirely bad—no in-between exists. This single mindset alone prevents many potential successful businesses from being started. Nearly all great business ideas that I'm aware of have evolved significantly since the first inception (examples include Amazon, Apple, and Netflix). The key is to start thinking critically about your idea and, if it doesn't appear effective initially, twist and modify this idea into a different form.

Keep in mind that there are several key ingredients that go into the making of an effective business idea. In addition, there are "tests" which can be conducted to gauge the usefulness of your idea. However, a forewarning must be issued--one must not rely completely upon these tests. Many successful businesses were started and scaled successfully without being exposed to such tests initially. The tests, however, are quite useful in determining if your idea is viable or not.

Test Number 1: what need does your business idea solve? Is your business idea going to help, encourage, be of benefit, or aid anyone? This is the first step, and it may be obvious that your idea passes this test. But when considering this test against your idea, also be mindful that "need" may also be desire, craving, etc. So, in other words, what need/desire/craving does your business idea solve? One of the most helpful spins on this simple question has been proposed by the well-known economist, Clayton Christensen.

The work of Clayton Christensen likens a new business idea to fulfilling a job that customers have open. Christensen uses a milk shake shop as an example and proceeds to explain how early morning commuters in a certain area wanted something to drink or eat while driving to work each day. In others words, these commuters had a “job” open that needed to be filled. These people resorted to milk shakes to fill their job, and each morning they would buy a milk shake to drink on their way to work (Christensen). So, what job does your idea fulfill?

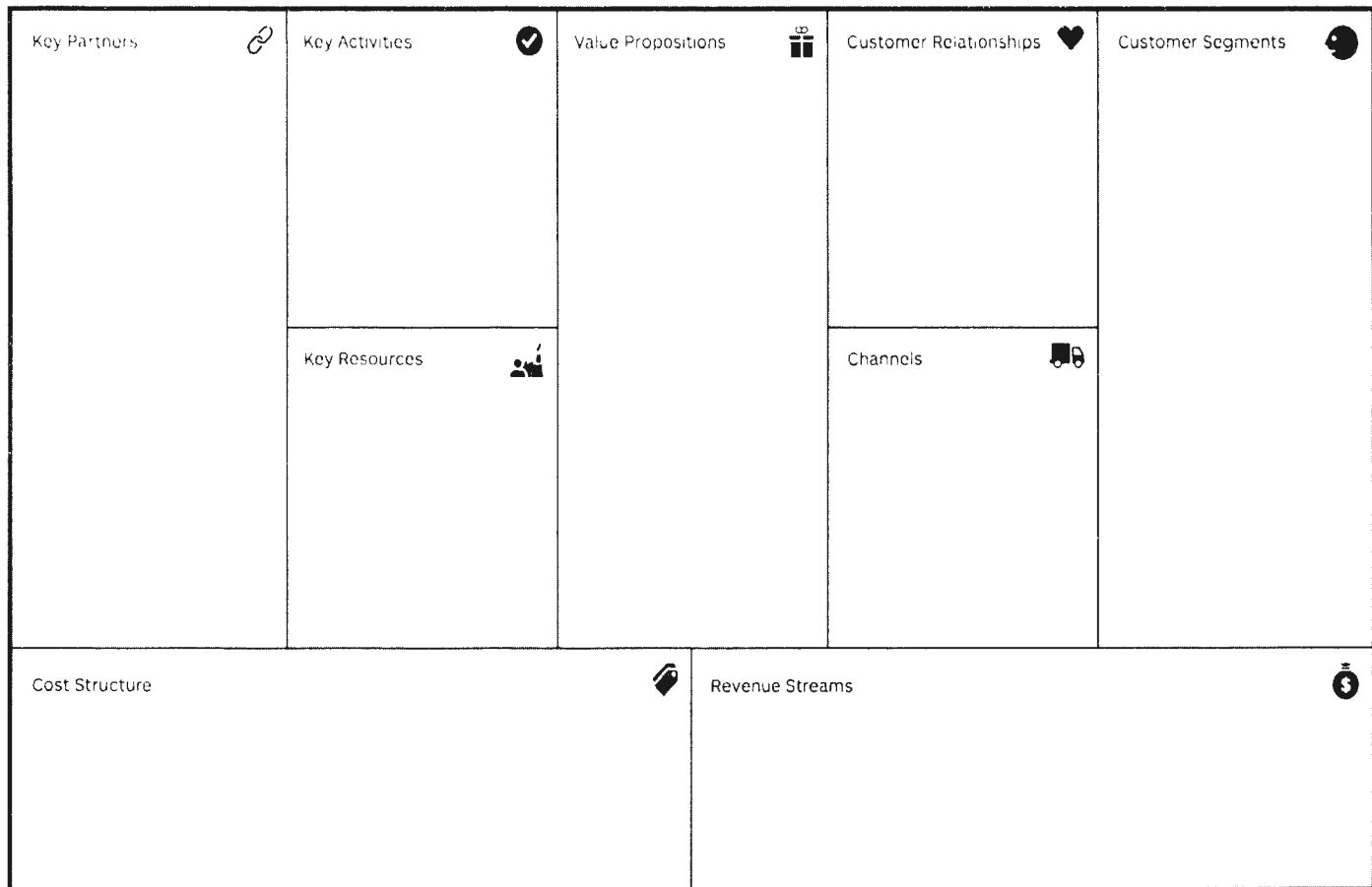
Test Number 2: does my new business idea solve a problem related to a “life currency”? From *The Fundamentals of Marketing* by Eric Schulz, a series of “life currencies” are presented and explained as being critical to new product creations. I’ve adopted these life currencies to form the second test you should subject your business idea to. In other words, your new business idea should appeal to and aid one of the life currencies we all face: information, time, human energy, space, expertise, fun, fear, frustration, convenience, love, quality, and money. Does your new business idea present information that is useful, convenient, or desired by your customer? Does your new business idea save people time or energy? Does your new business idea save space in the cluttered lives we all face? Does your new business idea increase the fun in the lives of your customers? Does your idea reduce frustration with a certain issue or problem your customers face each day (Schulz, Ch. 8)?

Asking these critical questions about your business idea can help you to realize where exactly your business idea fits in. By appealing to at least one of the life currencies identified by Eric Schulz, you can have some assurance that customers will have a need for your product or service. Perhaps you need to modify your business idea to more specifically meet some key life currencies or maybe you could expand or focus your business idea to concentrate on certain fundamental life currencies. Whatever your idea is, read through the list of life currencies and

ascertain if your idea addresses life currencies we all confront. If your idea doesn't specifically address at least one or two life currencies, I would suggest you modify or reconstruct your idea into something that addresses at least one life currency. Once you've determined what life currencies your product or service appeals to, this will then help you with your marketing plan (more on that later).

Once you have passed the "job" and "life currencies" tests for your idea, you are now ready to begin using one of the most useful tools available to entrepreneurs: The Business Model Canvas. See the depiction below that shows an example of this tool.

The Business Model Canvas



The “canvas” approach presents a more dynamic business model plan that can be adapted and modified throughout the first months or years of the business. Instead of a static business model that many people are accustomed to, the canvas approach allows for more flexibility. This increased flexibility allows for greater creativity and encourages out-of-the-box thinking. For example, not only are the typical elements of a business model included (value propositions, revenue streams, and cost structure) but many useful additions have been added such as Key Partners, Customer Relationships, and Key Resources (Blank and Dorf, 64).

Considering your key partners will help you to see partnerships and alliances that could be made to increase your product offering, reduce costs, expand capabilities, etc. In addition, considering how you will manage customer relationships and how you will engage with customers is especially insightful. You may come up with creative solutions to meet your customers, handle their concerns, and build the strength of your brand. Finally, considering the key resources available to you can help you consider those areas where perhaps you have a competitive advantage, relationship with an influential person, or capability resulting from a perhaps over-looked family or community resource. In summary, carefully considering each element of the Business Model Canvas can aid you to consider the fundamental and out-of-the-box opportunities available with your business idea. A brief description of each section of the Business Model Canvas follows.

Key Partners	Who will your suppliers be? What external parties will you rely upon to carry out your business transactions? Who could you develop relationships with that would increase efficiency or improve capabilities of your business offering?
Key Activities	What will you do to roll forward your business idea? What are the main activities that you will perform to bring your product or service to customers?
Key Resources	Do you have intangible resources such as patents or copyrights for your business? Do you have unique human capital resources? Do you have relationships with family members or others that could be of benefit?

Value Propositions	What value are you going to bring to customers? What is at the heart of your business offering? How does your idea appeal to the “life currencies”?
Customer Relationships	How will you build and develop customer relationships? How will you manage your customer relationships?
Channels	How will you reach your customers? Will it be through print or web advertising? Will you have a website and/or a physical location?
Customer Segments	What is the demographic of the customer you are trying to reach? The more specific the better for this one. Teen, middle aged, retired? Income level of your desired customers?
Cost Structure	How will you finance your business? Will you have high fixed costs (heavy investments in equipment or machinery) or more variable costs (dependence on others for manufacturing or business processes)? What will your startup costs be? How will you finance growth?
Revenue Streams	What price will you charge your customers? Will it be a one-time fee or a monthly recurring service? How will customers pay?

With the Business Model Canvas and a general description of each category, you are now prepared to complete the canvas for your business idea.

DEMONSTRATION OF PRINCIPLES PRESENTED

Business Idea: An in-home tech help company that will fix frustrating technology problems right in the customer’s home.

Test Number 1: This first test relates to the “job” my service will fulfill for my customers. My in-home tech help company will fulfill the open job that many have in relation to more fully understanding and utilizing technology in their everyday lives. We all are confronted with new technology, and many times we don’t know how to use it or we don’t fully utilize the features it offers. The “job” open for my idea is helping people in their homes to resolve problems and make the most out of their technology.

Test Number 2: This test focuses on the “life currencies” that my service offering will appeal to. Again, the life currencies available are information, time, human energy, space, expertise, fun, fear, frustration, convenience, love, quality, and money.

My business offering of helping people with technology problems will reduce the frustration associated with such problems. In addition, this will save human energy that would have been expended trying to solve the problems. Further, by optimizing or increasing the use of technology (such as teaching a retired person how to Skype with his/her grandkids), this will increase his/her quality of life and overall fun each time this technology is used. This business idea could also save customers money by having their computer systems protected from malware and spyware that could damage or inhibit their systems performance.

The Business Model Canvas: to see how to take a business idea and then use the Business Model Canvas, see my illustration below. I took my in-home tech help idea and then filled out the canvas with this in mind. As you can see, the canvas tool is very easy to use and focuses you on each critical component of your new business.










The Business Model Canvas

Designed for: CIH Tech Help

Designed by:

Date:

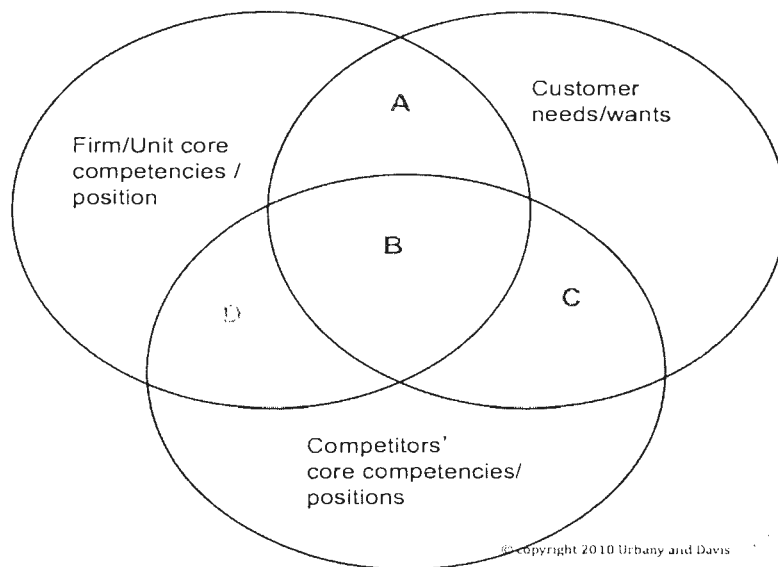
Version:

<p>Key Partners </p> <p>Key partners will include contacts I currently have and will establish with full-time IT professionals. For some clients' needs, I will not have the knowledge and competency to address their problems. I will use local and other IT professionals to aid with such clients.</p>	<p>Key Activities </p> <p>Developing relationships of trust with clients and advertising through trust-facilitating channels (word of mouth & door to door).</p>	<p>Value Propositions </p> <p>Fixing technology problems in the home. Ensuring your data is backed up, secure (protected), and easily accessible.</p> <p>Optimizing your use of existing technology to better you and your family members' lives.</p>	<p>Customer Relationships </p> <p>This is critical...the customers must trust me. These relationships will be developed primarily through one-on-one interactions and word of mouth.</p>	<p>Customer Segments </p> <p>The main customer segment will those over age 50 with disposable income. Retirement communities (such as subdivisions) will also be a key customer segment. In addition, those who do not have time to worry about fixing technology problems.</p>
<p>Key Resources </p> <p>Website design and Search Engine Optimization (SEO) to advertise the service.</p> <p>Relationships with other IT professionals.</p>			<p>Channels </p> <p>The service will be delivered via in-home visits and through remote services (LogMeIn). These are the primary methods for delivery of services.</p>	
<p>Cost Structure </p> <p>Operated mainly through an online scheduling software and run out of home. Insignificant cost structure initially, but could change substantially.</p>	<p>Revenue Streams </p> <p>I'm considering advertising that customers only pay if I fix their problem...the revenue will come through a per visit rate charged to customers. Price somewhere around \$65.</p>			

III. MARKET RESEARCH

This segment of bringing your business idea to real life is critical. You need to determine if your potential customers will actually buy your new product and service. One of the biggest advantages that you can have as an entrepreneur is the ability to determine what customers really want and then be able to meet that need. So often we can become so focused on what WE want customers to want, that we miss what they actually want (more on this later).

One of the best preliminary market research tools that I have come across is the “three circle analysis” tool as demonstrated by James Davis and Joel Urbany in *Grow by Focusing on What Matters: Competitive Strategy in 3-Circles*. As the title illustrates, one can grow by focusing on what truly matters. And as an entrepreneur, what truly matters are what the customer thinks and how your product fits into his/her world. To demonstrate how one might achieve this, three overlapping circles are drawn. One circle represents your product offering, one represents the customer, and one represents your competitors. You know where to focus by targeting your product or service on the realm of the customer’s circle that no one has reached yet, or by taking over space that competitors occupy (Urbany and Davis, multiple). See illustration below.



How might you go about deciding where your product offering would fit? You need to engage with customers and become a professional on the current market offerings. There is absolutely no replacement for talking with and learning from your customers. You can strategize, theorize, and even develop models on what customers want, but if you fail to actually get out and engage with customers, little will be gained. In addition to learning by associating with your customers, you need to realize what is offered in the current market place. You then take these findings derived from interactions with customers and the market place offerings and develop the three circle model to see where exactly your business idea fits.

If you are having a hard time engaging with customers or if you would like to conduct a more formal analysis of customers' preferences through surveys, there are several powerful tools available to the average entrepreneur that can enable you to conduct professional surveys. What I have found to be the easiest way to conduct a survey and gain consumer insight has been through using a platform called Qualtrics and through Amazon Mechanical Turks.

Qualtrics is a survey-based company that focuses primarily on the easy creation and distribution of surveys. Qualtrics is very easy to use, employs "drag and drop" survey creation tools, and the options are virtually limitless on the types of questions you can ask. You can create a survey and then post a link to the survey where anyone can take it. This can be useful to get the opinions of friends and family, but if you want a broad audience to take your survey you will most likely have to compensate them in some way (a feature not offered by Qualtrics). However, if you have a specific demographic in mind, you can pay Qualtrics a minimum of \$500 to target your desired demographic in what is called by Qualtrics as a "Qualtrics Panel." For the average, low-budget entrepreneur this can be difficult to fund. This is where Amazon Mechanical Turks comes in.

Amazon Mechanical Turks is a system where you can pay people to complete tasks (surveys in this case). There are thousands of “workers” that earn money by completing tasks that come up on the Mechanical Turk system. Virtually anyone can complete the tasks, from anywhere in the world. You can create a survey in Amazon Mechanical Turks and then pay people a specified amount for taking your survey. It sounds straightforward, but the user interface and terminology used by Amazon is quite confusing and frustrating. This system isn’t nearly as easy to use as Qualtrics. In addition, to create a survey in Amazon Turk’s system, you have to be familiar with software coding. So, in other words, unless you know how to code, you can’t create a survey in Amazon Turks. This is where Qualtrics come back in.

By using Qualtrics to create your survey, you can then link this survey to Amazon Mechanical Turks. You can then pay people to take your survey, and you won’t have to spend as much as you would have to for the Qualtrics Panel (minimum of \$500). So, you create the survey in Qualtrics, link it to Amazon’s system, and then pay people to take it. There is a somewhat complicated process of getting the survey between Qualtrics and Amazon to function properly, but there are some great tutorials offered by Qualtrics on how to do this.

Being able to have surveys completed easily by consumers is a huge advantage for the new, average entrepreneur. In addition, with a budget as low as \$10 you can use Amazon Turks to get survey results.

When creating your survey, I would encourage that you follow the advice of the world-class marketer, Eric Schulz. Eric advises that you need to know two primary things when conducting surveys on new business ideas: 1) consumers’ purchase intent 2) how new and different your product offering is compared to what already exists in the market place (Schulz, Ch. 6). These key questions should be part of every new product survey and can be formulated as

follows. Question 1: After explaining what your new business idea is (at the beginning of the survey), ask the following: "Assuming this new product/service offering was available to you, how likely would you be to purchase it?" Then offer a scale of extremely likely, somewhat likely, might or might not, somewhat unlikely, extremely unlikely. Question 2: determine how "new and different" your product or service offering is by asking "How new and different is this product/service offering compared to what already exists in the marketplace?" Offer a scale of extremely new and different, very new and different, somewhat new and different, slightly new and different, not at all new and different.

By gauging customers' reactions on purchase intent and new and different characteristics, you have some of the best market research data that you can gather. At the end of day, it all comes down to if customers will purchase your product. Conducting a survey with specific questions as those suggested by Eric Schulz gets you the most important data.

That being said, be mindful that passing one of these surveys is not vital for your product to become a success. Sometimes consumers don't know what they want until you offer them a new product or service. To illustrate this point, think about Steve Jobs and his idea for the iPad. Initially, people scoffed at this idea for a "tablet" that didn't do as much as a personal laptop could. The iPad was, in essence, an oversized iPhone that couldn't place calls. Had Steve relied upon surveys, he probably would have given up on this tablet idea (Isaacson, 490). So be mindful that consumers may just not know what they want entirely.

DEMONSTRATION OF PRINCIPLES

ENGAGING WITH CUSTOMERS.

Once I had come up with my business idea and it had passed tests 1 and 2, I then began to engage with customers. I had several very insightful experiences that both confirmed and

altered my idea. For example, I helped one customer by installing anti-virus software on her computer--she had been very worried that her system was not protected. Once the software was installed, it flashed a message across the screen that said "your system is protected." When she saw this message, there was an audible gasp of "wheww" and she then said how great it was that her computer was protected. I learned much from this interaction. For example, this customer was not concerned with how the anti-virus software works, she was only concerned that her system was protected. Further, I learned that there are powerful words that can be used in my advertising to appeal to customers' desires to have their systems protected. I could focus on my expertise in helping customers to protect their private data and ensure that their home network is secure. This simple engagement with a customer helped to develop my marketing strategy and increased the focus I would have on this aspect of my product offering.

This is just one example of many that I've had, but the key lesson is that you need to take your business idea to your customers and engage with them. If possible, begin offering your service or product and see how it goes. Then go back and refine and update your idea to address what you learned. Maybe you will shift away completely from your idea at this point. But realize how much better it is to learn these lessons now, upfront, rather than after you have invested thousands of dollars and spent hundreds of hours of your time!

AMAZON TURKS/QUALTRICS

For my business idea of in-home tech help, I created a survey in Qualtrics and then linked this survey to Amazon Turks. I conducted two different batches of surveys. I limited the survey to the United States only. My results were very interesting. First, I discovered that most people taking my survey were between 20 and 40 years old. My target demographic for my business idea is 50+ years old. Therefore, I learned quickly that my survey results shouldn't be relied on

too much. Because the younger generation is more tech savvy, it makes sense that they are the primary workers on Amazon Turks, which is strictly web-based. Although my surveys were taken by a younger generation than I desired, I still learned more about my idea. For example, most people don't view my idea as something that is extremely or very new and different. This surprised me because I thought that my model of offering in-home tech help was very unique. The answers to the purchase intent questions were also not favorable, but this can be explained by the young generation of survey takers. See the results below.

1. How new and different is this service offering compared to what already exists in the marketplace?

#	Answer	Response	%
1	Extremely New & Different	1	1%
2	Very New & Different	8	12%
3	Somewhat New & Different	20	30%
4	Slightly New & Different	25	37%
5	Not Very At All New & Different	13	19%
Total		67	100%

2. Assuming this service was available to you, how likely would you be to schedule an appointment?

#	Answer	Response	%
1	Extremely Likely	2	3%
2	Somewhat Unlikely	0	0%
3	Might or Might Not	14	21%
4	Somewhat Unlikely	18	27%
5	Extremely Unlikely	33	49%
Total		67	100%

3. What is your age?

#	Answer	Response	%
1	0-20 Years Old	1	1%
2	21-30 Years Old	25	37%
3	31-40 Years Old	23	34%
4	41-50 Years Old	14	21%
5	51-60 Years Old	4	6%
6	61+ Years Old	0	0%
Total		67	100%

4. What is your approximate household yearly income? (including you and your spouse, if married)

#	Answer	Response	%
1	0-\$25,000	14	21%
2	\$25,001-\$40,000	12	18%
3	\$40,001-\$60,000	22	33%
4	\$60,001-\$80,000	11	16%
5	\$80,001-\$100,000	3	4%
6	\$100,000-\$125,000	1	1%
7	\$125,001-\$150,000	4	6%
8	\$150,000+	0	0%
Total		67	100%

IV. ADVERTISING

Perhaps the most exciting resources that are available to the new entrepreneur are those related to advertising. I anticipated that these resources would be convenient and easy to use, but after experiencing them myself with my experiential learning I came to more fully appreciate all that is available to the new entrepreneur. There are many books and research studies devoted to advertising, but my objective is to identify the easiest and fastest ways for a new entrepreneur to begin advertising. The easiest and most convenient methods I discovered have been creating a website and using Google Adwords for advertising.

In addition, I was also shocked at how easy it is for the average person to create a stunning website. There are several major offerings available to consumers to create their own website. These include offerings from wix.com, godaddy.com, weebly.com, and squarespace.com. From my research, I concluded that wix.com offers the best value and product offering for creating your own website. For around \$100, you can build your own website, have your own customized URL, and you can receive over \$100 in advertising credits to Google Adwords and Bing.com. Wix.com also offers one of the easiest platforms to use. You can literally drag and drop the items you want and can create an impressive website in under two hours.

Next, once you have your website built, you can use Google Adwords to get your new product or service offering at the top of the page of consumers' Internet search. Google Adwords uses Google's search engine and allows you to pay "per click" for how many times your advertisement is clicked on. Rather than paying a fee for a service that doesn't guarantee results, Google Adwords is unique in the way that you pay for use. Essentially you compete with other businesses for the top search results that customers see, and you only pay Google each time a

customer actually clicks on your page. You bid against your competitors and the more competitors you have, the more you have to pay per click. This method of advertising is truly revolutionary and opens avenues to the new entrepreneur to get his/her business idea out fast. Google also runs several analytics on the types of devices, times of day, and type of consumers that view your website.

DEMONSTRATION OF PRINCIPLES

For my business idea, I created the website using wix.com and I ran ads through Google Adwords. This was one of the most exciting parts of the business creation process. Building the website was easy and straightforward. See below for a glimpse of the website I created with Wix.



Once my website was created, I made a Google Adwords account and ran an ad that pointed customers to my newly created website. The results of this ad, and the analytics provided by Google, were extremely helpful and would be helpful to virtually all entrepreneurs. I was able to target my ad to a specific location and audience (those searching for tech help). I was then able to see what types of devices people used to view my website. This was very insightful because I learned that over 80% of the people who saw my ad viewed it from a smart phone or tablet. Now I know that my website must be optimized for mobile devices! See below for the results of my ad.

Dashboard

In-Home Technology Help
 colemantechhelp.com
 Get help with your In-Home tech problems phone, computer, Internet

EDIT

Mar 03 - Apr 15

Clicks	Views	Spend
6	3,165	\$22.51

Your ad was clicked on

Devices

- Smartphones 66%
- Tablets 17%
- Computers 17%

Google sources

- Google Search 33%
- Google partner sites 67%

Search Phrases

Phrases	Views	Clicks
mr handyman	30	1
technical help	12	1
handyman services	78	0
local handyman	70	0
handyman handyman	69	0

Audience

Show your ad in these areas Andale, Andover, Valley Center, Park City, Goddard, Wichita, Derby, Bel Aire, Maize, Haysville

Go to

EDIT

Products or Services

Your ad will appear in

English

Products or services

Technology Help

V. TAX CONSEQUENCES

The tax consequences of owning your own business are both intriguing and critical to understand. The intriguing part comes from the positive financial impact that owning a business can have on your personal net worth. The criticality of understanding the proper tax treatment governing this area of taxation is vital because not understanding the rules can lead to unintentional tax evasion (or fraud) and can result in hefty fines and even imprisonment. Personally, I find the tax treatment offered to business owners as both exciting and wonderfully complicated.

To provide background to this discussion, one must first understand the function of the Internal Revenue Service (IRS). The IRS is an administrative body created under the Executive branch of government with the sole responsibility of enforcing the taxation of income as codified into law by the United States Congress. Thus, the IRS does not create the tax laws—Congress does. This key understanding helps to explain why tax laws are advantageous to business owners and also terribly complex. Through tax law, Congress strives to accomplish political, social, and fiscal policy objectives. In other words, Congress uses its power to create tax laws that accomplish objectives relating to social and political agendas.

According to the law, there are three types of assets: ordinary income assets, capital assets, and Section 1231 (business) assets. Ordinary income assets can be succinctly defined as inventory, accounts receivable (or notes receivable), and copyrights and original creative works held by the creator. This type of assets will not be included in our discussion because they don't offer the most important tax advantages to new business owners.

The next type of assets are capital assets. These can be defined as everything in the world except for what the law says they aren't. The law specifically says that capital assets are not

ordinary income assets or Section 1231 assets. Thus, unless something qualifies as an ordinary income asset or a Section 1231 asset (defined below), then by default the asset is a capital asset. That definition may still seem vague, but further explanation will be offered.

This leads us to our final asset type—Section 1231 assets. These assets are defined as “depreciable real and personal property used in a trade or a business for the production of income (Langdon, Grange, and Dalton 526).” Section 1231 assets are assets that are used to produce income or that are held for use in a business. In addition, one must hold one of these assets for at least one year to be considered a 1231 asset. It is this type of asset class that provides the most beneficial tax advantages.

Gains on the sale of these assets are treated at favorable capital gains tax rates. Losses on the sale of these assets are treated at ordinary income rates. Thus, these assets provide the best of both worlds for tax treatment. However, Congress realizes this and has passed laws that make the picture not quite as rosy. Any depreciation taken on assets other than real estate will be “recaptured” upon the sale at ordinary income rates. The rules are much more favorable for real estate, however, and offers a key advantage to the entrepreneur.

While the asset class categorization offers advantages to business owners, what I find most relevant is the ability for the entrepreneur to deduct business expenses against their ordinary income on their tax return. What this means is that the new entrepreneur can offset their personal income from other sources with expenses spent on their business. The business must not be a corporation for this to apply, but for virtually all other business types such as LLC’s, partnerships, certain S-corps, and sole proprietorships this favorable treatment applies.

To illustrate this further, if an entrepreneur is in the 25% tax bracket, and they start a business and incur appropriate business expenses, these expenses will offset the entrepreneur’s

other income and reduce taxable income. One dollar spent on business expenses will save the tax payer 25 cents that would have otherwise been spent on taxes. So, the tax payer essentially gets \$1 worth of new business assets for 75 cents because the 25 cents would have been spent otherwise (sent to the government for taxes). While it is never efficient or advisable to spend additional money just to save a portion on taxes, if in the pursuit of a genuine business creation, this tax advantage can really be beneficial.

In addition, what is most insightful is the ability for the entrepreneur to deduct expenses they ALREADY currently have. For example, an entrepreneur can deduct amounts related to the use of a home office for business purposes. The homeowner already incurs expenses for the home, and isn't allowed to deduct any of these expenses unless a portion of the home is used for business purposes. When there is a home office, the owner will actually depreciate a portion of his/her home and this generates the tax deduction along with any utilities allocable to the office.

While deducting depreciation does reduce the tax payer's basis in the home and would consequently increase the gains upon sale, there is a unique tax law the homeowner should know about. Section 121 of the Internal Revenue Code deals with gains on the sale of a personal residence. In this section, up to \$250,000 of gains on the sale of a personal residence can be excluded (not be taxed) for a single taxpayer (\$500,000 for married filing jointly). The home sold must have been the taxpayer's principal residence for at least two out of the last five years, and if it meets these requirements the exclusion applies to the adjusted basis. However, the portion of the gain that was depreciated as a business expense will be taxed at a 25% recapture rate (but this still might be of benefit to the entrepreneur).

Finally, the last significant tax advantage available to the new business owner deals with paying family members for helping in the business. For business owners with children, this is

most relevant. The tax code allows for business owners to pay their children for services they render in the taxpayer's business. The advantage is found in the fact that the child can exclude (not be taxed) on an amount of income equal to their standard deduction of \$6,300. Thus, the taxpayer can hire his/her children, pay them wages up to \$6,300, and these wages will be entirely tax free. This offers a tremendous incentive for parents to start a business on the side to receive this tax benefit and also provide resources to their children.

WORKS CITED

- Blank, S., & Dorf, B. (2012) *The Startup Owner's Manual: The step-by-step guide for building a great company*. Pescadero, CA: K&S Ranch, Inc. Print.
- Christensen, Clayton. "Understanding the Job." Online video clip. YouTube. YouTube, 13 June 2012. Web. 15 January 2016.
- Isaacson, Walter. (2011) *Steve Jobs*. New York, NY: Simon & Schuster. Print.
- Langdon, P. Thomas, Vance E. Grange, Michael A. Dalton (2015). *Income Tax Planning*. St. Rose: Money Education. Print.
- Schulz, Eric. (2011) *Fundamentals of Marketing*. Retrieved from:
<https://www.myeducator.com/reader/web/873/>
- Urbany, Joel. E., & Davis, James. H. (2010). *Grow By Focusing On What Matters: Competitive strategy in 3 circles*. New York, NY: Business Expert Press, LLC. Print.

APPENDIX

1. How new and different is this service offering compared to what already exists in the marketplace?

#	Answer	Response	%
1	Extremely New & Different	1	1%
2	Very New & Different	8	12%
3	Somewhat New & Different	20	30%
4	Slightly New & Different	25	37%
5	Not At All New & Different	13	19%
Total		67	100%

2. Assuming this service was available to you, how likely would you be to schedule an appointment?

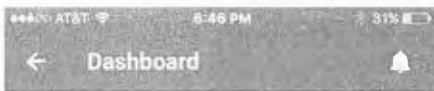
#	Answer	Response	%
1	Extremely Likely	2	3%
2	Somewhat Unlikely	0	0%
3	Might or Might Not	14	21%
4	Somewhat Unlikely	18	27%
5	Extremely Unlikely	33	49%
Total		67	100%

3. What is your age?

#	Answer	Response	%
1	0-20 Years Old	1	1%
2	21-30 Years Old	25	37%
3	31-40 Years Old	23	34%
4	41-50 Years Old	14	21%
5	51-60 Years Old	4	6%
6	61+ Years Old	0	0%
Total		67	100%

4. What is your approximate household yearly income? (including you and your spouse, if married)

#	Answer	Response	%
1	0-\$25,000	14	21%
2	\$25,001-\$40,000	12	18%
3	\$40,001-\$60,000	22	33%
4	\$60,001-\$80,000	11	16%
5	\$80,001-\$100,000	3	4%
6	\$100,000-\$125,000	1	1%
7	\$125,001-\$150,000	4	6%
8	\$150,000+	0	0%
Total		67	100%



In-Home Technology Help
 colemantechhelp.com
 Get help with your In-Home tech problems: phone, computer, Internet

EDIT

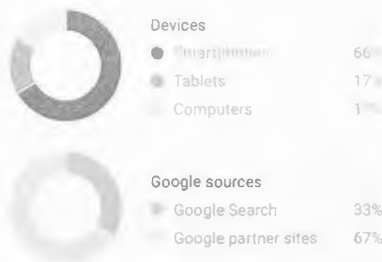
Mar 03 - Apr 15

Clicks: 6
 Views: 3,165
 Spend: \$22.51



Your ad was clicked on

Your ad was clicked on



Search Phrases

Phrases	Views	Clicks
mr handyman	30	1
technical help	12	1
handyman services	78	0
local handyman	70	0
handyman handyman	69	0

Audience

Show your ad in these areas: Andale, Andover, Valley Center, Park City, Goddard, Wichita, Derby, Bel Aire, Maize, Haysville



Go gle

EDIT

Products or Services

Your ad will appear in
 English
 Products or Services to promote
 Technology Help



In-Home Technology

Want to control your thermostat from your phone? Want to install cameras or other smart-home gadgets?



Computers

Is your computer slow or not responding? Do you have your files and private information adequately protected? Are you backing up your data?



Photos

Are your family photos saved and backed up to prevent loss? Do you need help transferring, syncing, or printing your photos? Did you know you can easily share photos w/ family?



Phones

Is your phone working right? Is your iCloud backing up your data and syncing across your devices? Is your data usage too high?



Tablets/iPads

Want to video chat (Skype or Facetime) with your kids/grandkids? Having issues with your tablet syncing? Need advice on what tablet to buy? [Read more >](#)



Internet

Is your Internet slow or not working right? Does your Internet bill seem too expensive? Having problems with the WiFi connectivity in your home?

OUR SERVICES

WHO WE ARE



-BRAIDEN COLEMAN
OWNER & OPERATOR

I'm here to help you get the most out of technology, save money in the process, and relieve you of the stress of dealing with technology problems in your home and personal life. If I don't fix your problem, you don't pay. Technology is changing daily. How can you keep up with the changes and make sure that your sensitive information is protected? What benefits can technology offer to connect you and your family members?

REFLECTIVE WRITING (1147 Words)

Completing this capstone thesis project has been one of the many highlights of my time spent at Utah State University. Creating this thesis has been extremely beneficial to me personally because it has allowed me to apply course concepts I've learned throughout my time at USU to a real-life challenge. Rather than merely learning principles and theories in a comfortable classroom environment, this thesis has challenged me to actually apply what I've learned to creating a new business model and to conduct research regarding entrepreneurship in general.

The most challenging part of this thesis for me has been balancing the academic research portion with real, experiential learning related to my thesis. I realize the need for grounded, academic study and methodologies. However, I also realize that much can be gained by experiential learning and experimenting. While both approaches are related and interconnect, it has been challenging to determine whether I should be doing more research into other peoples' work or to create findings and results of my own.

I have tried my best throughout the course of preparing this thesis to balance the overall methodology of my research. I have read books, articles, research studies and other sources of information about entrepreneurship. In addition to this, I have also taken a business idea of my own through the different business creation stages. Overall, I feel that both of these methods have proven to complement each other very well and have encouraged a higher level of authentic learning and results that could not have been accomplished otherwise. I've really enjoyed this dual research approach.

What also helped me throughout this process of learning and researching was the guidance of my mentor, Dr. Chris Fawson. When I was lacking a clear direction or focus for my

continued research, a meeting with Dr. Fawson almost always resolved this. Having a mentor to oversee my work and provide counsel and direction was very helpful to me throughout the past several months as I have worked on my thesis. Dr. Fawson gave me a lot of freedom in the execution of my idea, but he also provided critical guidance at times and offered subtle recommendations of what I might study more and what I might do differently. I appreciated his direction and guidance while he also allowed autonomy and self-direction for several stages of the project.

In addition to the help from Dr. Fawson, my committee member, Eric Schulz, really helped me at the beginning of my project to get an overall sense for how to conduct the market research portion of my project. Because I was granted honor's funds to aid me in this research, I wanted to ensure the funds were spent effectively and efficiently. Professor Schulz really helped in pointing me in the right direction and understating the tools available to engage in market research such as using Qualtrics and Amazon Turks. Also, the help offered by those in the honor's office was invaluable. In particular, Amber Summers-Graham aided me several times throughout the process, for which I am very grateful. The honor's course on Canvas was also helpful as it provided the resources and instructions for the formatting of the thesis.

In addition, as mentioned above, I received honor's funds to aid in my research. Without the funds I was granted, I wouldn't have been able to conduct the research I did. The funds allowed me to explore survey creation and execution techniques as well as allowing me to find the amazing resources available to new entrepreneurs such as Google AdWords and Wix.com. I'm very grateful for the honors funds that allowed me to learn much more about the tools on the market for entrepreneurs and to engage in hands-on experiential learning.

Another event that also helped clarify my direction and progress towards completing my thesis successfully was the Undergraduate Research Symposium. As part of the requirement in completing my thesis, I was expected to present my research in a public forum. I chose to have an oral presentation to discuss my research. Preparing for this presentation encouraged me to simplify and organize my research and findings. It also helped me to summarize my work completed and I was directed to additional work that still needed to be completed prior to the research symposium. Having a presentation scheduled at the research symposium helped me get the critical components of my research done in advance and on time in order to present my findings and complete my paper.

The most enjoyable part of preparing this thesis has been my interaction with several professors and my hands-on involvement in taking my business idea through the various stages of development. My interaction with several professors provided direction and guidance to my research and methodologies. Without the influence of several key professors, I would never have been able to understand the direction and scope for completing such a project. Being involved in the hands-on portion of creating a business allowed me to learn first hand about the resources available to the new entrepreneur.

I learned early on in the project that entrepreneurship is hard work. It really consumes you and there aren't set "office hours" per say. Being involved in a new business idea and business model is very consuming and intense. However, I noticed that it does provide immense purpose and satisfaction. Learning from others, creating new things, and working diligently to bring a business idea to real life is actually really fun. Hard work—yes, but very satisfying and rewarding at the same time. I look forward to using the skills I acquired as part of this honor's thesis to aid me in future business ventures.

Overall, this has been a tremendous experience and has required my absolute best when it comes to time management, hard work, and discipline. Because I have spent a significant amount of time dedicated to this project, I am proud of what I have accomplished. I have learned much more than I ever thought I would about the resources available to entrepreneurs and the advantages offered to such entrepreneurs. I have also learned about the learning process in general. That is, you learn things effectively by both studying and experimenting with that knowledge.

To be able to truly master a topic or principle, it is not sufficient to just study the material out of a book. You must apply the material to real-life situations and that is where the true learning takes place. This is what I experienced throughout the course of preparing this thesis project. I experienced textbook and in-class learning, but I then applied what I had learned to a real business idea and that is when I truly came to appreciate and more fully understand what I had been learning in theory. I'm excited to apply what I've learned throughout the rest of my life and appreciate this opportunity to present my findings.

AUTHOR'S BIOGRAPHY

Braiden Coleman is a high-school graduate of Mtn. Crest High School, which is located in his native Cache Valley. Following graduation, Braiden chose to attend Utah State University as a recipient of the Presidential Scholarship. Not long after attending the university, Braiden developed a passion for accounting and changed his major to this area.

While attending Utah State University, Braiden was fortunate to work as an undergraduate teaching fellow to two distinguished professors: Eric Fisher and Eric Schulz. Braiden also had the exceptional experience of being a Buehler Scholar, which involved engaging in conversation and dialogue with other students and faculty in regard to leadership qualities. In addition, Braiden's involvement in the University's Honors Program also proved to be highly influential.

Braiden has accepted a full-time job offer with Koch Industries upon graduation and will work in a financial analyst and accounting role. Braiden plans to continue his education by obtaining a master's of accounting degree.