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**If Content Is King. Then The
WOW Content Club is the Kingdom
You Have Been Searching For.**

Your Full Spectrum Content Provider!

An Ounce of Prevention...

Plan To Succeed Online

Take The Guess Work Out of Starting & Building a Successful Business Online!

*"Four steps to achievement: Plan purposefully. Prepare prayerfully. Proceed positively. Pursue persistently".
William A. Ward*

An Ounce of Prevention...

The 6th "P" - Precautions

Avoiding Common Pitfalls

Wherever you are on the road to success, you can dodge the unhappy consequences of some of the more common mistakes that cause the early demise of new ventures by continually watching out for some common pitfalls. You can't prevent all disasters but, as we all know, an ounce of prevention is surely worth well more than a pound of cures.

Suppose your product is pilfered by a competitor or your inventory gets fried in an electrical fire or, horror of horrors, a virus attacks your computer and wantonly destroys all your records and files. To avoid losing a lot of sleep, evade these potential pitfalls and *manage your risk*.

Managing risk can be done in several ways. Once you've identified a risk, you can elect to:

- prevent it - by, for example, installing smoke alarms/getting your product patented or copyrighted.
- avoid it - by, for example, insuring you have a good business back-up system - or two.
- spread it - by, for example, backing up your computer files and keeping the copy at a separate location
- absorb it - by assuming that certain losses are an acceptable cost of doing business
- transfer it - by sharing the risks with an insurance company

In most cases, risks that you can't readily handle or predict are best transferred to a reliable insurance carrier. You are no doubt familiar with personal lines of insurance, such as homeowner's, auto, life, disability, health, and home business owner's. But if your business is growing fast, you'd be well advised to see a business insurance professional and evaluate the cost-benefit of transferring your risk via a comprehensive insurance package designed to protect your particular circumstances.

This sounds more complicated than it actually is. Insurance companies have been at it for centuries and they've thought of risks you never dreamed you had. So they're well prepared to protect you from most perils via a standard policy at a reasonable price. You'll be able to keep that price down by electing to take the highest possible deductible you can afford.

Backing Up Your Business Data

You deleted a file that you intended to save. Your hard drive just crashed. You unwittingly set a virus loose through your system. That expensive piece of software contained a nasty little glitch. There was fire. Are you starting to get the picture?

The top five reasons for the loss of data are:

- Hardware & System failures
- Human Error
- Software malfunction
- Viruses
- Natural Disasters

Unfortunately, we can't always control the little disasters life tends to throw our way when we're least expecting them - but we CAN be prepared!

No two ways around it, you NEED a back-up system!

You've probably heard the old saying "An ounce of prevention is worth a pound of cure". Well, when it comes to computers, it should really be "An ounce of prevention is worth ten TONS of cure!". Unfortunately, far too many people - and companies -- do not give their backup systems (or lack thereof!) the attention they deserve.

When it comes to online marketing, your information IS your business! You can't afford not to have a back-up system in place. Statistics have shown that over 30% of companies who lose their computer files go out of business within a year, and over 70% are out of business within five years. And that's ALL businesses, not just Internet businesses.

Your data is valuable! It cost you time and energy to create -- it is a business investment that NEEDS to be protected! Not only do you need to have several backup copies ready, you need to ensure that they are NOT all stored in one place! If a fire breaks out, or your office is robbed, you could lose EVERYTHING!

You also need to keep in mind that backups are bound to fail at some point too! If your system crashes while you're doing your backup, and you only had that ONE copy, the game may well be over!

You need to:

Perform backups on a regular basis (you can purchase backup software that offers scheduling features which can be setup to prompt you).

- Label everything well (include the creation date & contents).
- Store at least one set of backups in a safe, fireproof place.
- Be redundant! Ensure that several copies of your files are saved at all times

With this said, it is important you choose the backup media that is best for your business and circumstance. You will need to consider cost, reliability, availability, usability, and speed.

Back-up Options

Your backup options include:

=> *Floppy disks* - cheap & portable, but they don't hold much data -- and they are pretty out-dated nowadays.

=> *High capacity floppy disks* - easy to use & can offer 120MB+ of storage, but still only good for backing up limited amounts of data. (\$100-\$150)

=> *Removable media drives* (i.e. Zip, Jaz, ORB) -- Zip drives (\$150-\$200) accept cartridges that will hold 25MB or 100MB of uncompressed data. Jaz drives will hold 1GB (\$150) to 2GB (\$350) of data. A 2.2GB ORB will cost about \$185. All are reliable options.

=> *Removable & rewritable CD drives/disks* -- can offer up to 650MB of storage and are very fast. Rewritable CD drives (\$200-\$400) allow you to reuse the disks (\$5- \$10 each) up to 1,000 times. *Most computers nowadays come with these drives built in, so your only cost is the disks themselves.

=> DVD - the drives are approximately \$375, and the DVD's can hold approximately 2.6GB per side.

=> *A second hard drive* - the prices vary, but if you look around you should be able to pick up a 10 GB drive for under \$200.

=> *Tape* - tape drives offer the greatest range of options, from approximately \$150 for a drive capable of backing up a 10GB hard disk, to numerous thousands of dollars for a system capable of backing up a large network. Tape drives are one of the best options for a complete backup system.

Online Storage

This can be an inexpensive option for small business owners. Online storage (also known as offsite storage), involves paying a monthly or yearly fee to a web-based backup service who allows you to save and retrieve your files over the Internet.

This kind of service can be a great addition to your pre-existing backup system, allowing you to backup critical files and remove them to a secure, offsite location, safe from theft and fire. As well, a key focus of these companies is backup redundancy. They have multiple sites where your files are stored, ensuring that if one site fails, the others will still have your files.

Another advantage of online storage is that your files are immediately accessible from any web connected computer, 24 hours a day, 7 days a week. Not only does this make distributing particular files or presentations to your colleagues easier, but it also means that you no longer always need to haul around your laptop computer! Simply connect online from any computer, and Voila! -- you can instantly access your files!

However, not all web based backup services are created equal. When deciding what service is right for your business and budget, keep the following in mind:

1. *Different services offer different levels of security.* While some offer file encryption -- ensuring that only YOU have access to your files -- others simply offer promises of server security. Depending on the nature of the data you are backing up, this may be a concern for you.
2. *Some companies offer a CD service.* Depending on whether you would like a CD backup of your data weekly, monthly, quarterly, or for emergencies only, you should take note of the cost, which can vary drastically.
3. *How much storage do you need?* While some services offer packages that look great on the surface, there can be some pretty gouging fees for "going over" your available storage space. Be sure to read the fine print!

4. *Some services are more focused on the "critical" aspects of data storage than others, storing your files for a limited time period and then deleting them. Files that you regularly use and change are kept, while those which have not been used or accessed for a period of time are deleted. This is sometimes referred to as a "roll-back".*
5. *Would you like your backup's to be done automatically? Some companies offer software that includes scheduling features, allowing you to sleep easy knowing that your backups will always be automatically taken care of - at a time that's convenient for you!*

Here are some online backup services that you may wish to investigate:

AllMyData.com

With the way the world is today anything can happen at any time and all your personal or business data can be lost without prior warning. This service will allow you to back up your data off site. This way, when and if something happens to your personal or business computer, your precious data is safely stored at another location. Don't think just because you back up your data numerous places on your computer that it is safe. Thieves break in and steal. Fire destroys everything. The same things that can happen to your computer can also happen to the back up.

The only safe reliable way to back up data is to store it off site. AllMyData.com automatically backs up your data to a remote server on a set schedule. It does it without you even being aware of it. As long as your computer is left on the back up takes place.

Back-It-Up Dot Com

- \$10.20/month or \$102/year for 100 MB.
- \$13.50/month or \$135/year for 1 GB.
- They offer up to 6 GB of storage -- \$28.90/month or \$289/year.
- Software scheduler allows you to automate your backups.
- Files are encrypted.

@Backup

- 30 day free trial available.
- 100 - 500 MB of storage for \$99.95 - \$299.95/year.
- They offer a quarterly CD service for \$11 per CD, and an on-demand service for \$39.95 per CD (plus \$6.00 shipping & handling).
- Software scheduler allows you to automate your backups.
- 90 day roll-back.
- Files are encrypted.
- Free Disk Space
- Offers 300 MB of FREE storage -- you agree to receive the occasional email and fill out 4 surveys per year.

FreeDrive

- Offers 50 MB of free storage.
- My Data Haven
- Free 15 day trial.
- Up to 100 MB of storage - \$7.50/month or \$69.95/year.
- 100-250 MB of storage - \$17.95/month or \$169/year.
- 250-500 MB of storage - \$29.95/month or \$279.95/year.
- Software scheduler allows you to automate your backups.

- Files are encrypted.
- CD service available for \$30 per CD.

[bitSTOR](#)

- Free 30 day trial.
- Up to 100 MB of storage -- \$7.99/month or \$74.99/year.
- 250 MB of storage -- \$19.99/month or \$199.99/year.
- 1 GB of storage -- \$59.99/month.
- 10 GB of storage available (will consider providing more than 10 GB).
- Files are encrypted.
- CD service available -- prices vary depending on the quantity ordered.
- Accounts are managed on a "per computer" basis.

[iBackup](#)

- They offer 100 MB of free storage, plus up to 100 MB more for referring new users (10 MB per new user).
- NetMass
- Free 30 day trial.
- 250 MB of storage -- \$9.95/month
- 500 MB of storage -- \$14.95/month
- 1 GB of storage -- \$19.95/month.
- Software scheduler allows you to automate your backups.
- Files are encrypted.
- 45 day roll-back.
- CD service available for \$14.95/month or \$24.95 on-demand.

It is important to note that these services are best for backing up critical files, not for complete system backups! When it comes to system files, you're far better off re-storing them from your disks or CD's. Backing up system files not only wastes connection time and storage space, but also means that you're backing up any problems with your system!

When it comes to backing up your data, there is no such thing as being *too paranoid!* Remember, Murphy's Law - anything bad that can happen, will happen, especially if you're not prepared. So, be prepared! By putting in a few minutes (or less!) every day backing up your files, you could potentially save yourself weeks of stress and thousands of dollars trying to recover your lost data. Don't think about it - DO IT! Get your backup system(s) up and running as soon as you open for business.

SIDEBAR: You should also be sure to take the time to protect the software that you've invested your money in! If you download programs from the Internet, be sure to make a copy of the "download.exe" files along with their unlock codes. For "boxed" software that you've purchased, be sure to take the original CD's or disks and store them in a safe place (preferably fire-proof), along with the purchasing information and registration data.

Making It All Legal

Doing business on the WWW can multiply sales. But it can also multiply risks - risks you should not ignore. The ability to conduct business at the speed of electricity in a global marketplace has literally changed the entire business landscape.

If you want to grow your business or at least stay in it for the long haul, then "covering all the bases" by following some of these important steps is a good idea. Trust me, there not very complicated or difficult.

Before you start in business (or as early as possible), two things you might want to do are: 1) register your business, and 2) obtaining any necessary licenses.

First check with officials in your municipality (town, city, state or province) to find out if you need any special permits or licenses for operating your specific type of business. Odds are, if your business is small, online and home-based, there won't be any zoning laws or restrictions. But it's better to be safe than sorry.

Once you obtain the necessary licenses to operate your business (if needed), the next step is to register it. Registration has a number of advantages. Beyond tax benefits, you have the ability to use a fictitious name, which is important if you want to establish serious brand identity.

Keep in mind, however, that registration does not protect your business name from trademark infringement. Nor does it exonerate you from different forms of liability. If you would like some help in registering your business, there are several online companies that offer such services, including bizcorp.com and start-a-business.com. And Findlaw.com offers a comprehensive list of legal forms, legal services and do-it-yourself advice.

Applying for a Trademark

A trademark is a graphic logo or unique name that is in used in trade to identify a specific business, product or service. In general, the first company to use a name in trade owns it. So, if you're thinking about building brand identity, before you go ahead and register a business domain name, you might want to play it safe and conduct a trademark search on your selected name. You can do so at your local Trademark and Patent Depository Library, or online with the U.S. Patent and Trademark Office at uspto.gov.

If you find that your chosen business name isn't taken you might want to go ahead and register it as a trademark yourself - if you have the means to do so. I say this because applying for and getting a trademark is a rather costly and timely procedure. In the US it could cost anywhere from \$300 to \$750 (including search and attorney fees) and take up to a year or two to be completed.

This may not be high on your priority list when starting your business - but if you plan to spend a lot of time and effort building brand recognition, it would be a shame to have to change your business name down the line just because someone else with a similar company/product name acted more swiftly to make it legal.

If and when you do go ahead and apply for a trademark, you can immediately add the "TM" symbol after your business name to indicate to the public that it is a trademark. You don't have to go through a lawyer to do this. Once your registration has been confirmed, you can replace the "TM" symbol with the traditional "(R)" symbol.

While these symbols are used more for legal purposes, their presence after a name or in a logo can often convey in a subtle way that there is a uniqueness about, and an added value to, your company. There is also the psychological impact. When the symbol is used, few are going to take the chance of pirating your material, as they know they will be liable to face serious legal consequences if they do.

Patenting Your Product

Patents are the same as trademarks in that they need to be registered in order for you or your company to claim exclusive ownership. Trademarks are unique, identifying names or symbols, such as company names, product names, service names, logos, graphics and so on. Whereas, patents are unique ideas, processes or inventions.

If your product is an innovative idea or invention, it may be patent-able. But for a patent to be considered as such, it must not be separately duplicable. While it could be copied (unless patent protected), it cannot accomplish the exact same, unique result as any other idea, process or patent. If two inventions happen to achieve the same result, a patent is usually given to the person who registers first. So, if you're thinking of registering a patent, do it sooner rather than later.

Here's an example to help you understand the difference between patents, copyrights and trademarks. A web site's design is a trademark. Its content is copyrighted. But its source code, if original, could be patented. In fact, the U.S. Patent and Trademark Office now allows patents on software, scripts or codes (or aspects thereof) that accomplish concrete and tangible results. To learn more about this aspect of patenting, visit spi.org.

Copyrighting Your Content

One of the simplest things to do on the Web is to copy and paste. A little text here, a little clipart there. It's so easy and so tempting, with the result that copyright infringement is one of the biggest problems of Web publishing. But just because everyone can access your content, does not mean that it's in the public domain - especially, if it's copyrighted.

Unlike a trademark or patent, which confers ownership onto the registrant, copyright is automatic the moment it is created. Once a message of any kind is placed into a fixed, tangible medium, the creator owns the copyright instantly. While it's helpful particularly for legal reasons, registration is not necessary.

This means that, once your website, e-zine, article or any other written material is created, even if it's not yet distributed or uploaded to your host server, it is automatically copyrighted - whether you use the © symbol or not. Still, you should use it whenever possible for your own protection. All you need to do is use the word "copyright" or the © symbol, the year the work was created and the name of the creator. For example:

Copyright © 2004 Gail Buckley - All Rights Reserved

If you do wish to go ahead and register a copyright officially, you can do so by filing a simple form and depositing one or two samples of your work with the U.S. Copyright Office. The most important reason to register officially is that it provides you the legal wherewithal should you ever wish to sue a plagiarist for financial damages.)

As the word "copyright" implies, the creator is the sole owner of the right to copy the written work. However, there is a catch. Patents confer ownership of ideas. Copyrights do not. In other words, ideas can not be copyrighted. And unique, non-creative ideas can still be copied. Copyright protects the expression or the arrangement of ideas -- and not the ideas themselves.

What's the difference between "unique" and "creative"? An idea may be unique if it's an original concept. For example, a unique process for marketing your web site is a unique idea. If you ever publish that information or disseminate it to the public, it can be copied and published by someone else, as long as they express it in a different way than you did.

If it's not disseminated to the public, it is protected as a *trade secret*. *Trade secrets* consist of information that is considered as sensitive, such as any formula, device, idea or process that provides the owner of the information with a competitive advantage in the marketplace. If ever copied or stolen it could compromise that business's competitive advantage. (For example, opt-in and customer lists are considered *trade secrets*.)

On the other hand, creative ideas consist of specific words, characters (fictitious people), phraseologies or expressions (including the way that your ideas are expressed). Books, stories, character names and music are considered "creative" works and cannot be copied without the author's express consent.

For example, if you were to write an e-book providing unique tips on how to get the most out of a specific software program, your tips (or "unique" ideas, in this case) can be copied. While it may not be proper etiquette, copying them is still legal. However, your "creative" content (your specific arrangement of those tips) cannot be copied. You can be quoted verbatim, provided that those who quote you properly identify you as the source and use your ideas for noncommercial purposes (such as in reviews, articles, news reports or endorsements). Copying in this manner, with full attribution, is called "fair use."

If you wish to reproduce copyrighted work and obtain a license to do so, you can check out the Copyright Clearance Center at copyright.com. Finally, The Copyright Website at benedict.com offers great tips, stories, forms and information on electronic (audio and visual) forms of copyright.

A Few Other Rules and Regulations

By and large, most home-based businesses are (or fall under the category of) mail order companies. Why? It's because both the Internet and e-mail are considered as mediums (like postal mail) through which people can order products or services. For example, your web site and e-mail act somewhat like mail order catalogues.

Therefore, the laws that apply to mail order companies apply to web sites as well. They will not be all presented here since they are many and vary from location to location. The bottom-line, however, is the "golden rule." If you don't mislead or cheat your customers, your online business practices are acceptable.

The Mail Order Act of 1975 (recently amended to include new media) states that orders solicited through any medium (be it postal mail, e-mail, phone, web site or fax) must be delivered within 30 days following receipt of payment. If delivery is estimated to exceed that timeframe, ample notice must be given.

If your business is online, chances are great that you will have customers from around the world. Shipment to another country will often take more than 30 days. Therefore, it would be advisable to put a clear notice (somewhere in your solicitation) that delivery may take longer, such as: "Please allow six weeks for delivery."

As far as advertising goes, use common sense. Laws regarding false or deceptive advertising (such as the Competition Act of Canada and the U.S. Consumer Protection Act) are very strict and severely enforced. Deceit is unacceptable in any form pretty much anywhere around the world. Basically, if you advertise a product or service, your statements about it (including price, benefits, testimonials, guarantees, results, promises etc.) must be clear and truthful.

In fact, in a mail order environment you must indicate the true, going price at all times - it's illegal to advertise one price and then sell at a higher one. This is not to say that you can't change your prices when necessary. You just can't engage in deceitful practices like "bait and switch," where low, false prices are advertised in an effort to entice business. If your prices do change or vary, make sure that some sort of notice is given, such as: "Expires on [date]," "prices may change without notice," "certain conditions apply," or "does not include [delivery, for example]," and so on. You may want to visit the Advertising Law Resource Center at lawpublish.com.

Actually, most of these laws are just plain, good business practice. They're simple guidelines designed to protect consumers and business owners alike. Just use common sense. If you plan on growing your business or remaining in one for a long period a time, play by the rules and you'll do just fine.

Legal Forms for FREE!

When you're in business for the long haul there are going to be times you may want - or need - to protect yourself with legal forms, contracts and/or licenses. For example, employment contracts, link exchange contracts, advertising contracts, joint venture contracts, non-disclosure marketing contracts, as well as different legal forms for things like filling out taxes and getting permissions/licenses... the list goes on.

Hiring a high priced lawyer to help you get these forms would cost you a small fortune. Fortunately... you don't have to. You can get all your paperwork online for FREE and save yourself hundreds of dollars in legal fees.

Here are some URL's with lists of a variety of legal agreements you can use free of charge:

- www.lectlaw.com/formb.htm
- www.uslegalforms.com/corporate.htm
- www.ilrg.com/forms/
- www.quickforms.com

These fantastic resources are all free, so there is no excuse not to protect yourself and your business with the proper legal forms and contracts. Just print them out and go, or copy and modify them as you please!

Straight Talk About Taxes

After you make it through the start-up phase of your business, it's time to be concerned with taxes. Don't worry - the news is far more good than bad! Here, too, a little preparation up front can save you a lot of headaches down the road.

Internal Revenue Code Section 6001 mandates that businesses must keep appropriate records. The IRS has the right to view these records if they want to audit your business's (or your personal) tax return. If your records aren't up to snuff, there can be some serious penalties.

This said, however, the good news is that in October, 1998, Congress passed The Internet Tax Freedom Act, which included a moratorium on new taxes on Internet access and e-commerce. You can read a "plain English" version of the law at <http://www.house.gov/chriscox/nettax/lawsums.html>.

Federal & State Taxes - Money Out!

Although operating a business does complicate your tax return a bit, it's something you can easily handle if your business is a simple, one-person operation and you're willing to spend the time to keep proper business records.

If you have a sole proprietorship (meaning you are the sole owner of your business), you'll need to file IRS form Schedule C, along with your regular form 1040 tax return. If your business has net income, you are also required to file Schedule SE to determine any Social Security and FICA taxes that are due.

State taxes vary depending on where you live. You most likely need to file sales tax and income tax. If you have employees, you also need to pay employee withholding tax. Contact a local accountant in order to find out what you have to file, or contact your state tax department yourself. Most state tax offices provide guide books to help you understand state tax requirements.

Paying Quarterly Estimates

When you start making money for yourself independently, rather than depending on a regular paycheck from an employer, you have to start doing something new: estimating the tax you'll have to pay based on the income from your own business. You are then required to pay this tax on a quarterly basis, both to the IRS and to your state taxing agency. Estimating and paying quarterly taxes is an important part of meeting your tax obligations as a self-employed person.

The IRS provides you with instructions for calculating how much tax you have to pay, as does your state taxing office. (If you already have an accountant, he or she can help you with this, although I wouldn't bother hiring one just for this purpose - unless your business is growing by leaps and bounds!) For the government you file a Form 1040-ES every quarter, along with a check for the required amount. You do the same on the state level, but the required forms vary by state. A full page of links to state tax agencies is available [here](#). You might also want to check out [IRS publication 505](#) for the latest official information on this subject.

Home Business Deductions - Money In!

One of the benefits of starting a new business, even if your business isn't profitable right out of the gate, is the opportunity to take business deductions and reduce your tax payments. This is why it is important to *always keep receipts from any purchases or expenses associated with your business activities*. An easy way is to file them away in folders or envelopes, labeled by category.

<p>SIDE BAR: Make sure that you take all the deductions for which you are eligible - but don't overdo it when it comes to entertainment and travel expenses. Only 50 percent of these expenses are deductible anyway, and you don't want to set off any red flags! Oh, and you can forget about claiming your spa or health club dues.</p>

If you work at home (and I'm assuming that, as online entrepreneurs, most of you do) there's great news. If you set aside a portion of your house as a home office, space that is "regularly and exclusively" used for your business, you can claim a home-office deduction on your taxes.

What you deduct depends on the amount of space in your home that is used for your business. For example, if your office is one room in a four-room house or apartment, you can deduct 25% of your

utilities! If you have a separate phone line that is solely used for your business, you can deduct 100% of this expense.

Computer equipment is probably the biggest expense related to your online business - and the good news is that tax deductions can help offset this cost substantially. The key is showing the IRS (by reporting your income from your online business on your tax returns) that your PC and related items, such as modems or printers, are indeed used for business purposes.

Other common business-related expenses that you can deduct include:

- Advertising: Not just online advertising, but off-line promotion as well.
- Internet access charges: The monthly fees you pay to your ISP or Web Host.
- Computer supplies: All the equipment you use to operate your online business.
- Shipping and delivery: Any costs associated with shipping and postage.
- Interest expenses: Include any interest you pay on bank loans for your business.
- Office supplies: Your paper, toner, paper-clips, envelopes, files, business cards etc.
- Utilities: Light, electricity and telephone costs that pertain to your home office.
- Accountant's fees: Any fees you pay to the person who adds up your deductions are... deductible!

Online Tax Resources

The best place on the Internet for tax information is the IRS's own website. The home page is at www.irs.ustreas.gov, but you might want to check out its [index of pages](#) specifically for businesses, as well as [this page](#) full of tax tips aimed at small businesses.

The Smalloffice.com website also maintains an excellent [tax page](#) among its many resources for small businesses. It's full of tips on taking all the deductions for which you are eligible, filing electronically and more.

Here are two other tax-resource sites you can visit:

- 1040.com: This site, operated by Drake Software, contains some resources that you won't find on the IRS website, including a tax-related bulletin board, a database of tax preparers and links to state tax agencies.
- [Tax News and Views](#): If a question arises about the latest tax provisions you need to look up the answer quickly, try this publication, which is produced by Deloitte & Touche LLP.
- [Managing a Small Business](#): This is a great site for getting information as well as finding out about and accessing all government tax forms you will need to fill out for your business.

If you incur expenses investigating the potential of your business and getting it started and these expenditures actually result in an up-and-running business, you can elect to amortize the costs (that is, deduct them in equal installments) over a period of at least 60 months, beginning with the month in which your business opens.

This is separate and apart from any expenses you incur after your business is actually up and running, which are also deductible (see above). The amortization only applies to expenses incurred after you decide to establish a particular business and before the business actually begins operation. In other words, you must actually enter the trade or business in order to be eligible for the amortization. Thus, if you incur expenses in exploring a business opportunity and later decide not to pursue the opportunity, you cannot amortize those expenses.

What costs qualify? Investigation expenses that can be deducted over the 60-month period include those relating both to business conditions generally, and those relating to a specific business, such as market or product research to determine the feasibility of starting a certain type of business. Amortizable costs of creating a business include advertising, wages and salaries, professional and consultant fees and costs of travel before the business actually begins.

It's usually best to claim the 60-month amortization deduction as early as possible if there is any doubt about when your business begins. If the IRS determines that your business began in a year before the election to amortize startup costs is made, the right to deduct these costs in the earlier year will be lost.

What if you change your mind? If you ultimately decide not to go into business, what happens to your costs?

The portion of costs you paid to generally investigate the possibilities of going into business, or to purchase a non-specific existing business, are considered personal costs and are not deductible. However, the total costs that you paid in your attempt to start or purchase a specific business would be considered a capital expense and you can claim it as a capital loss. If you purchased any business assets along the way, you can claim a loss only if and when you sell or dispose of the property.

Claiming amortization expenses:

Assuming your business is successfully launched and you want to amortize your startup costs, total up all the costs paid or incurred before your business opened and divide them by 60 months (or longer, if you wish). The result is the monthly deduction amount. Your amortization period begins the month in which your business opens.

So, for example, if your business opened on October 31, 2001, you could deduct costs for October, November and December of 2001, which would be equal to 3/60ths of your total startup costs.

For the first year, your amortization deduction would be shown on Part VI of Form 4562, Depreciation and Amortization, and then carried over to the appropriate tax form for your business. For sole proprietors, it would be carried over to your Schedule C as an "other" expense.

You'll need to attach a statement to your tax return itemizing the amortization costs, giving the date each cost was incurred, stating the month your business began operations, and specifying the number of months in your amortization period (not less than 60). The fact that you need to attach this statement may preclude you from electronically filing your tax return the first year.

In later years, if you are filing Form 4562 for some other reason (generally you must file this form the first year you put a capital asset into service), you would continue to show your amortization costs on Part VI; if you don't need to file the 4562 in a particular year, simply list your amortization amount as an "other" expense on your Schedule C (or your partnership or corporate income tax form).

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