

A decorative graphic on the left side of the slide consists of a grid of squares in shades of blue and orange, arranged in a pattern that suggests a staircase or a grid of data points.

# VIITA ADDED: THE LOSS CONTROL INSPECTION “BUSINESS”

## Operating as an Independent Contractor (IC)

- conducting loss control inspections has to be profitable for all parties, namely, the insurance carrier who orders the inspection, the loss control company, who assigns the inspection to an independent contractor **AND** the independent contractor i.e. the loss control inspector, who conducts the inspection
- for all parties, it really comes down to “net” profitability, in other words, gross income minus all of the associated costs involved in operating the business
- and for you, the loss control inspector, achieving a goal of anticipated profitability and, with it, operating a successful business, will, at the end of the day, depend on what steps you take to offset those associated costs

# The Cost of Doing Business

- as an employee, work-related expenses, including, for example, the cost of the tools, equipment & on the job transportation, etc., are typically covered by one's employer
- however, as an independent contractor, one is not generally compensated for those work-related expenses and, as such, those expenses constitute part of the cost of working at "your" business

## Tools of the Trade

- as a loss control inspector performing site-specific field inspections, you will need a few tools, including a small point & shoot camera, a measuring wheel, a smart phone (to make calls and send & receive emails while in the field, as well as, as often is the case, to serve as a gps) and a computer (to process the inspection reports)
- the good news is that the cost of purchasing, maintaining &/or replacing all of these items may well qualify as a business deduction

## Turning The Key

- In most cases, by far, your biggest ongoing expense will be the use of your vehicle in visiting the properties to be inspected
- business-related vehicle “costs” all start with turning the ignition key, but they don’t end there
- there’s the high price of gas, tires, brakes and all the “maintenance” costs of operating a vehicle, including periodic oil changes, etc., all of which mount up quickly, depending on the size of your service area
- also to be factored in, is the overall “wear and tear” on the vehicle, due to all that work-related business milage
- when determining the calendar year vehicle deduction, one can do so by adding up the actual dollar costs or, more simply, by claiming the total “business” miles for the year
- as to which method is most advantageous, look to your tax advisor for guidance

## So How Does One Offset Those Costs

- well, the first thing is to meet with a certified public accountant or other qualified tax consultant who will advise you on what expenses qualify as legitimate business deductions
- then be consistent in thoroughly keeping track of those expenses

## Record-keeping

- for tax purposes, as your tax advisor will tell you, all business deductions must be verified by receipts and/or other documentation
- respective of vehicle use, that would include gas receipts, as well as toll & parking receipts
- and be sure to keep a daily log of your business travel for a given day, including your itinerary and your starting & ending odometer readings
- the good news is that your inspection reports will invariably include the date of visit, which, of itself, is proof of travel and, with it, support the total business miles claimed on your tax return

## The Home Office

- as a self-employed loss control inspector, that is, an independent contractor, with 1099 income, you are entitled to a “home office” business deduction
- to qualify, the IRS requires that there be a dedicated space within your place of residence, where inspection scheduling calls are made, reports are typed, files & supplies are stored, etc.
- just so you know, the term “home” applies to a single family dwelling, condo, apartment or whatever constitutes your residence and the dedicated space need not necessarily be an entire room
- that being said, the “dedicated” space (typically a percentage of the overall square footage of the residence) must be used regularly (interpreted as minimally weekly or several times a month) and exclusively (e.g. use of a dining room table area, otherwise used for the serving and consumption of meals, does not qualify)

## Home Office, cont'd

- moreover, to qualify, one may not have access to an alternate office space (e.g. an office provided by your employer, should you have an additional occupation)
- also, the total home office deductible expenses cannot exceed the income from the business for which the dedicated space has been intended
- with that in mind, legitimately deductible are both direct expenses (e.g. furniture, equipment, as well as maintenance & repair of same, and supplies) exclusively used in the office area, plus a portion of the indirect expenses (e.g. utilities, building updates, mortgage interest, property insurance, home security, etc.) applicable to the residence at large

## Other Deductibles

- regardless of whether you claim the home office deduction, you can deduct the business portion of your phone & internet expenses
- in addition to the costs associated with operating your business use vehicle, also deductible would be the costs of all other business-related transportation, including rental cars, trains or buses, as well as taxi, Uber & Lyft rides
- and should your assignments involve overnight stays, a portion of reasonable charges for lodging and food (but not entertainment) are also typically deductible
- as are health & business insurance premiums (e.g. for a professional liability policy)

## Other Deductibles, cont'd

- likewise, there is what's known as a "Startup Deduction", which is a one-time deduction covering expenses incurred, including attorney & filing fees, in setting up a corporation or llc, as well as cost of launching a business web site and marketing one's services (e.g. fees relating to posting your resume on job boards and membership in professional organizations)
- another deductible is the cost of professional development i.e. educational costs, including for VIITA courses
- also deductible would be the cost of tax consultant/prep services

## And Speaking of Taxes

- **remember:** unlike a salaried employee who has taxes deducted from the paycheck, loss control inspectors working as independent contractors do not have taxes deducted from their earnings
- that being said, as an independent contractor, you are responsible for what's known as a self-employment tax, consisting of Medicare and social security taxes, as included in an estimated quarterly tax filing
- accordingly and to avoid unpleasant surprises come tax time, your tax consultant will provide the necessary guidance on all related tax matters

## The Last Word, But Not the End All

- in closing, key to financial success is to set-up your loss control business as just that, namely, as a “business”. And critical to making it a profitable business, is having a clear understanding of all the costs associated with the business, as well as what you can and must do to maximize the bottom-line
- and to that end, it can’t be overemphasized how important it is, when starting out, to meet with a certified public accountant or other professional tax consultant, if nothing else, to establish what expected (and unforeseen) costs are deductible