

Are You a Tax Time Bomb?

HOW TO KEEP THE IRS OFF YOUR BACK

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It happens all the time. I am on an airplane from Denver to Omaha. I strike up a conversation with the woman next to me. I tell her that I am an attorney primarily in the tax area. It turns out she is in network marketing. Although my newfound acquaintance has only been in the business for a couple of years, she is already making a substantial six figure income--more money than she has ever made before.

She steers the conversation in an all-too-familiar direction, and starts peppering me with questions: "How can I save on taxes? Should I put my money in a trust? Take it offshore? Set up a pension plan? Can I write off my motor boat?"

Before answering these questions, I have a few of my own for her. "Are you keeping good records? Do you have an accountant or other tax professional helping you? Have you ever done a profit-and-loss statement so you know where you stand? Are you making sufficient estimated tax payments? Are you current with all your yearly tax filings?"

"Er," a long pause ensues. "Well, no . . ."

At this point I sit back to give her a little more room. My fellow passenger is a tax time bomb, and I just heard the ticking.

It is my experience that many people in the MLM industry are in a situation like this woman's. They are making a very comfortable income, but leaving themselves vulnerable if the Internal Revenue Service should pay a visit. Could you be next?

Think of this article as the instructions for disarming a tax time-bomb, and making sure that even a full IRS audit would be a less painful experience. Let me start with the Six

Commandments for Staying Out of Jail.