The Business Side of Your Piano Studio
Webinar Outline

© 2007 The Mayron Cole Music Conservatory, Inc
Any reproduction of this material is strictly prohibited under the copyright laws of The United States of America.

Disclaimer: **The information contained in this webinar and from any communication related to this webinar does not constitute financial advice and is for information purposes only. We at The Mayron Cole Music Conservatory, Inc are not accountants or financial advisors. Always seek advice of a CPA or competent financial advisor with any questions you may have regarding a financial matter.**

Definition of a business according to the IRS:

- **"An activity qualifies as a business if it is carried on with the reasonable expectation of earning a profit"**
- **Therefore, your piano studio is a business, not a hobby**
- **If you treat your studio as a business, your clients will too**



How to create a business

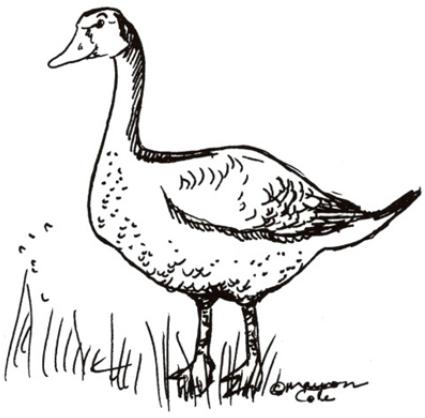
- **File "DBA" papers**
  - **with the county**
  - **"Doing Business As"**
  - **also known as "Assumed Name"**
  - **Contact your county office for more information**
- **Instead of "DBA" sole proprietor, you could incorporate**
  - **Discuss with your accountant which option would be best for you**

Business Bank Accounts

- **Open a Business Checking Account**
- **Obtain a Business Credit Card or Debit Card**
- **IRS gets suspicious when you mix personal and business expenses in a personal checking account**
- **Will need the DBA paperwork to open a Business Checking Account**

Phone

- **If you get a business phone number, it will be listed in the yellow pages**
- **At the least, have a phone number that will not be answered by a child**
  - **perhaps a cell phone**



Business Insurance

- **Covers loss of property as a result of theft**
- **Liability to cover your assets in the event of a lawsuit**

Sales Tax Permit

- Only needed if you are going to resell any material or supplies at a *profit*
- You do not have to pay sales tax on a service
    - teaching piano
- EXAMPLE: You buy each book for $19.95
    - add in shipping of approximately $2.00/book (when ordering more than one book at a time)
    - = $21.95/book
    - You charge your student $21.95/book
    - NO SALES TAX DUE
- EXAMPLE: You buy each book for $19.95
    - add in shipping of approximately $2.00/book (when ordering more than one book at a time)
    - = $21.95/book
    - But, you charge your student $25.95/book
        - Making a $4 profit per book
    - MUST PAY SALES TAX ON THE TOTAL SALES PRICE OF THE ITEM: $25.95.
- Must pay sales tax on the total sales price of an item if you sell it for a profit; must pay income tax on the profit of selling an item and/or service
- Contact your state tax office for more information about sales tax



Memberships (optional)

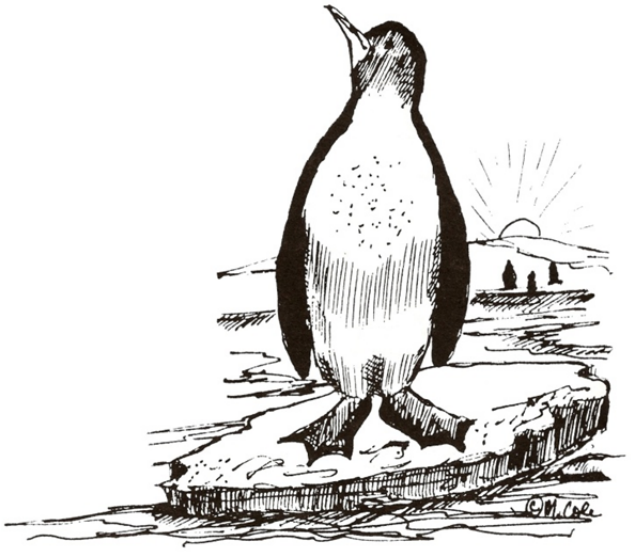
- Chamber of Commerce
    - helps your business become a part of the community

Property Taxes

- Must pay property tax on ALL property that you use for business (keyboards, tables, chairs, CD player, computers, etc)
- Contact your county tax office and voluntarily render the property information

Income Taxes

- All moneys received for teaching piano or profits from upselling books are INCOME and you must pay income tax
- You will also have to pay self-employment tax
    - part of income tax form
- This income tax money was never yours; it will never be yours. So…
- Each month set aside a portion of the tuition you receive, so you will have the money available to pay your taxes next April
- How much you need to set aside will be determined by various factors
    - Are you single or married?



- Do you have a mortgage on your primary residence?
- Do you have another source of income?

- Usually need to set aside about 15%, but contact your accountant to determine what percentage of your income that *you* should set aside for income taxes
  - Set that percentage aside in a separate savings account.
  - Don't spend it! Don't even think about spending it!
- If you teach outside your home, office rent and utilities are tax deductible
  - If you teach in your home, you may tax deduct a *portion* of your mortgage and household bills
  - Contact your accountant for details



Budget

- How much of your income can you take home and still have money to pay office bills and cover the summer?
- Figure out what your total *annual* office bills will be:
  - Rent on studio (outside home)
  - Insurance
  - Advertising
  - Phone and Utilities
  - Bank Service Charges
  - Office Supplies, etc.
- At the beginning of the school year, determine what your income will be based on the number of students you have
  - Safest to subtract one or two students from the equation to factor in normal attrition during the school year
  - First, subtract your annual business expenses
  - Then, subtract the percentage you have determined to set aside for income tax
  - Divide the remainder by 12
  - That is how much you can take home each month for the next year
  - This type of budget will get you through the summer when you don't have tuition coming in
- Fictitious Example
  - 55 students sign up in September
  - subtract one or two students for normal attrition during the school year
  - 53 students at $600/year = $31,800 (fictitious tuition rate for the sake of an example)
  - Office Expenses (teaching at home) = $3,000
  - Subtotal: $28,800
  - Minus 15% set aside for taxes
  - Subtotal: $24,480 divided by 12
  - $2040/month for 12 months
- Your take home pay for this month, should be tuition that was paid *last* month, not this month
  - For example, the money you take home on March 1st should be the tuition that was paid in February, not in March



- You don't want to be waiting on tuition to come in to pay a bill that is due next week
- Retirement Savings
  - You also need to set aside money for retirement
  - Discuss options with your accountant



Have a Business Attitude

- You train people how to treat you
  - If you treat your piano studio as a serious business that you are in charge of, then others will too
- Students do not call you by your first name
- Do not hug or even touch your students… ever
- Allow an open visiting policy for parents to check on their child, but do not allow parents to sit through the entire class
  - Disrupts the student – teacher dynamic
- Open the window shades in your studio so parents can see in
- Do not teach makeup lessons
- No refunds for registration fee or missed lessons
- For more information, attend the "Creating Your Teaching Schedule and Student Contract" Webinar
- Teachers, by nature, are nurturers
  - Nurture your family… teach your students
  - Your students are just your clients



Money and Happiness

- Set your goals; set them high
- When you reach your goal, don't reset the goal even higher
- Enjoy it
- Contentment is a choice

Notes:

_____

_____

www.MCpiano.com

800-527-6873

The Only Piano Method That Takes Students from Kindergarten to College