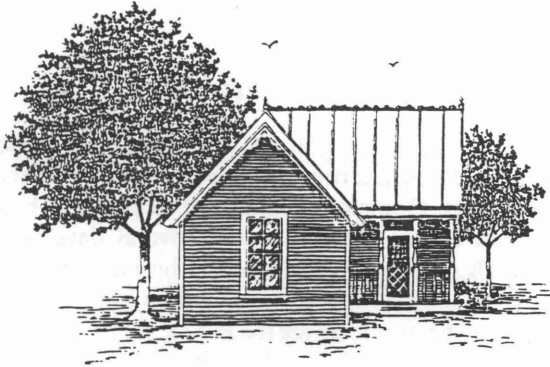


Texas Agricultural Extension Service



Starting a Home-Based Business in Texas

Bed and Breakfast

Getting Started

Hosting

A Bed and Breakfast (B&B) traditionally provides a comfortable night's lodging and a good breakfast in a private home. Guests often choose this type of accommodation because they enjoy the personal contact, friendly warmth and unique experiences a Bed and Breakfast can offer.

Hosting a Bed and Breakfast often brings new friendships and guests who return year after year. However, before you start, take a good, hard look at yourself and your lifestyle.

Do you enjoy meeting new and interesting people? Would you feel comfortable with strangers in the house? Are you ready to give up a large measure of privacy? Is your family agreeable to the arrangement?

Hosting has many rewards, but large financial gains are not among them. A Bed and Breakfast business can supplement your income but rarely will provide a substantial amount of money.

The Home

Bed and Breakfast homes do not have to be very large or filled with antiques. Any home with an extra room and a friendly host, located in a safe area with interesting activities nearby, will do. Good beds in clean, comfortable surroundings are a must. Bathrooms can often be shared, but should be spotless with ample hot water, a good sewage system, and plenty of clean towels. As a host, your personal possessions should not be stored in guest rooms and should be out of sight in the bathroom.

Breakfast

Some Bed and Breakfast hosts choose to serve a continental breakfast of juice, coffee, and a sweet roll, while others provide a hearty breakfast ranging from buttermilk pancakes to homemade breads and omelets. Many guests seem to prefer the larger breakfast with plenty of time to visit with their host. Whichever you choose, keep your kitchen scrupulously clean and follow food safety guidelines. Your county Extension home economist can provide information on the safe handling of food.

Investment

Bear in mind that any business requires an investment of time and money.

Take time to consider what your set-up costs might be:

- linens
- food
- furniture
- safety equipment
- utilities
- telephone
- insurance
- legal assistance
- printing
- advertising
- extra keys
- postage

Local building codes may require the investment of an upgraded sewage system, smoke alarms, etc. Keep other expenditures moderately low so that your rates can remain attractive.

Setting Rates

Survey local hotel and motel rates for use as a general guide. Bed and Breakfast rates are usually 20-30 percent below normal rates because private homes often are not centrally located and may have shared baths.

Your particular location (e.g., outlying area, along main route, prime city location) will determine your rates. It is most important that your guests feel they are getting a good value for their money and that your earnings meet your expectations in your Bed and Breakfast business.

Independent Hosting or Reservation Service?

As the number of Bed and Breakfasts have increased in the U.S., the number of Bed and Breakfast reservation services have also increased. For a fee, a reservation service will screen all guests, keep all reservation records and deposits, and in some cases, provide advertising and set room rates. Some reservation services charge a 20-35 percent commission on the charges made to guests. Services may cover only Bed and Breakfasts in a given area, while others are nationwide or even international in scope.

In the case of independent hosting, all reservations come directly to the Bed and Breakfast. It is the host's responsibility to screen potential guests and to maintain all records.

Reservations Services

Below is a partial listing of reservation services which serve Bed and Breakfast in Texas.

Bed & Breakfast Texas Style
4224 W. Red Bird Lane
Dallas, Texas 75237
1-214-298-8586

Sand Dollar
3605 Menden Hall
Corpus Christi, Texas 78415
1-512-853-1222

Bed & Breakfast Hosts of San Antonio
166 Rock Hill
San Antonio, Texas 78209
1-512-824-8036

Be My Guest
125 East Main
Fredericksburg, Texas
1-512-997-7227

You also may wish to list your Bed and Breakfast with the local Chamber of Commerce. Visitors often ask their local Chamber of Commerce about places to stay in the area.

Apprentice Program

Apprenticeship programs are a relatively new opportunity in the Bed and Breakfast business and still in their infancy stage. One such program selects potential hosts, and then invites them to spend several days at the program's own Bed and Breakfast business. Apprentices pay the same room rate as guests but work right along with the host learning the in's and out's of hosting. The last two days are spent with fellow apprentices running the Bed and Breakfast on their own. Some apprentices say this has proven to be an eye-opening experience which has either saved them from spending time and money on something for which they found they were ill suited, or has encouraged them to get started immediately on opening their own Bed and Breakfast operation.

Associations

The National Bed and Breakfast Association is a very good source of information for Bed and Breakfast operators. For an annual fee of \$35 your Bed and Breakfast will be listed in *The Bed and Breakfast Guide*, which is updated every 2 years. Contact:

National Bed and Breakfast Association
148 East Rocks Road
P. O. Box 332
Norwalk, CT 06852
203-847-6196

Texas has no formal state association. Texas Bed and Breakfast owners operate fairly independent of one another. The extent to which a Bed and Breakfast is networked with Bed and Breakfasts in other locations is up to the discretion of the owner.

Regulations

Presently, there are no statewide laws regulating Bed and Breakfasts in Texas. However, there are some cities and towns across Texas that have passed such regulation.

The first step in establishing a Bed and Breakfast is to check with local officials at your town or city hall for information on local zoning regulations, building and health codes, and registering as a business. It is a good idea to contact an attorney for other legal considerations.

Regardless of code requirements, make sure you have working smoke alarms and fire extinguishers in several areas in your home. Keep informed about the changes in local and state regulations.

Check with your neighbors before you look into opening a Bed and Breakfast. Their cooperation can be crucial both in getting clearance to operate and in the successful operation of your Bed and Breakfast.

Taxes

A Bed and Breakfast will have both Federal tax advantages as well as liabilities. The first and last word here is to consult an accountant as a Bed and Breakfast business.

Advantages - Bed and Breakfasts are considered to be home-based businesses and therefore may be eligible for certain tax deductions. Expenses such as advertising, dues, insurance, legal services, repairs, travel and telephone can be deducted. Furniture and equipment used in the operation of a Bed and Breakfast may be depreciated on the basis of how much you use the item for business and how much you use it for personal use.

If your home is listed on the National Register of Historic Places, you may be able to take a 25 percent tax credit for any restoration work you do. For tax certification forms, contact:

Texas State Historical Commission
P. O. Box 12276, National Register Dept.
Austin, Texas 78710
(512) 463-6100

In terms of taxes, selling any home that has been used for a business is more complicated than selling a residence only. Ask your accountant about the tax implications of selling your home, a portion of which you may have depreciated for tax purposes.

Liabilities - Income from a Bed and Breakfast is reported on Federal Income Tax Forms. Since a Bed and Breakfast host is essentially self-employed, you will also need to compute Social Security taxes on your Bed and Breakfast income.

If you employ others to help you run your Bed and Breakfast, you are responsible for social security taxes and possibly even Unemployment Insurance on your employees. Contact the IRS to obtain an Employer Identification Number and the Federal Forms for

reporting social security withholding. For Unemployment Insurance information, contact your local Office of the Texas Employment Commission.

Helpful IRS publications for more information on taxes:

Publication 334, *Tax Guide for Small Businesses*

Publication 587, *Business Use of Your Home*

Schedule C, *Profit or (Loss) from Business or Profession*

Publication 533, *Self Employment Tax*

Bed and Breakfasts are considered by state law to be hotels and in turn must charge guests an average occupancy tax of 9 percent. For further details on the reporting and paying of occupancy taxes as a Bed and Breakfast, contact the local office of the state comptroller or:

Texas Comptroller of Public Accounts
111 E. 17th Street
Austin, TX 78774
1-800-252-5555

Insurance

Don't assume your home owner's insurance policy will provide all the coverage you'll need to operate a Bed and Breakfast. Remember, your Bed and Breakfast is a business. Ask your insurance agent to tailor a policy to meet your needs. This will mean removing the "operating a business in the home" exclusion and increasing the liability coverage. You may wish to purchase a separate endorsement for commercial liability to extend your coverage to include food served and injuries to guests. Guests' personal property will not be covered. Keep in mind that while such things as saddle horses, toboggans, slides or liquor availability may attract visitors to your Bed and Breakfast, they will also raise your insurance costs considerably.

You may wish to purchase a business property endorsement to cover business property in your home. If you employ others, you must carry worker's compensation insurance.

To supplement your home owner's coverage, some reservation services offer insurance that covers the Bed and Breakfast activity only. Ask your insurance agent if such supplemental coverage would be compatible with your home owner's policy.

Resources

Chesler, Bernice. *Bed and Breakfast in the Northeast*. Globe Pequot Press, Chester, CT 1983.

Hostkit, The American Bed and Breakfast Association, Washington, D.C. 1984.

Mulcahy, John. *Considerations in Starting a Bed and Breakfast Business*, New York Sea Grant Extension Program, Ithaca, N.Y.

Novak, Rich. *Operating a Bed and Breakfast*. UNC Sea Grant College Program, Manteo, NC, 1984.

Rundback, Betty and Nancy Kramer. *Bed and Breakfast U.S.A.*, E. P. Dutton, Inc., NY, NY, 1984.

For further information or help with your home-based business questions, contact your local county Extension agent, or your regional Small Business Development Center and Small Business Administration office. The telephone numbers for these offices are listed in your telephone directory.

Adapted from *Bed and Breakfast: Getting Started #1*, (Barbara G. Lacy, Cooperative Extension Service, University of Massachusetts) by Rachel Albers-Diamond, Extension associate, The Texas A&M University System, 1989.

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