

Small Business Taxes

Deductions and Credits Overview

HOME OFFICE EXPENSES

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- Track your expenses: If you qualify for the home office deduction, start tracking qualified expenses now
- Measure your space: Take accurate measurements of your eligible home office to prepare for your office deduction
- Maintain good records: Keeping good records of your deduction method, qualified expenses, and other documentation relating to your home office may help in the event of an IRS audit

WORK FROM HOME TAX DEDUCTIONS

If you work from home, you may be able to deduct your business-related expenses, and you could be eligible for the "home office tax deduction." This tax break lets you write off expenses for the business use of your home. However, whether you can claim any of these deductions depends on your employment status.

EMPLOYEES MISS OUT: If you are a regular employee working from home, you cannot deduct any of your related expenses on your tax return.

TAX DEDUCTIBLE HOME OFFICE EXPENSES

Self-employed individuals can deduct office expenses on Schedule C (Form 1040), whether they work from home. A few examples would include:

- Office supplies
- Postage
- Computers
- Printers

...and all the ordinary and necessary things you need to run a home office.

DISCLAIMER: This information is for general education only and is not individualized tax, legal, or financial advice. Consult a qualified tax professional about your specific business, entity type, government obligations, and cash-flow situation.



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REGULAR USE

Means you use a specific area of your home (e.g., a room or other separately identifiable space) for business regularly. Incidental or occasional use does not count.

EXCLUSIVE USE

Means you use a specific area of your home only for your trade or business.

DON'T OVERLOOK

The home office expense deduction is an often-overlooked tax break for the self-employed. It can cover expenses for the business use of your home, including mortgage interest, rent, insurance, utilities, repairs and depreciation.

ALSO CONSIDER

You also may take deductions for business storage purposes when the dwelling unit is the sole fixed location of the business or for regular use of a residence for the provision of daycare services; exclusive use is not required in these cases.

WHAT QUALIFIES FOR THE HOME OFFICE DEDUCTION?

Self-employed individuals may claim the home office deduction and, consequently, lower their tax bill. To qualify the individual must use part of their home "regularly and exclusively" as their principal place of business. If you only work from home part of the year, you can only claim the deduction for the period that you can satisfy the "regularly and exclusively" requirements. The space does not need to be marker off by a permanent partition, but you cannot claim the home office deduction if you use the space for business and personal purposes.

TWO METHODS TO CALCULATE THE DEDUCTION

THE SIMPLIFIED METHOD

Under the simplified method you deduct \$5 for every square foot of space in your home used for a qualified business purpose. Keep in mind that you can only claim the expense for the time you work at home.

THE ACTUAL EXPENSE METHOD

Under the actual expense method you simply multiply the expenses of operating your home devoted to business use. If you work from home part of the year, only include expenses incurred during that time. If you use the actual expense method, also complete Form 8829, and file it with the rest of your tax return.

ADDITIONAL INFORMATION

- IRS Pub 587, Business Use of Home
- Form 8829, Expenses for Business Use of Home
- IRS Topic No. 509, Business Use of Home

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