

Can I deduct home office expenses?





Can I deduct home office expenses?

Question:

Can I deduct home office expenses?

Answer:

If you use part of your home to conduct your trade or business, you might be able to deduct certain related expenses. To qualify for the home office deduction, you must pass certain tests.

You must use part of your home regularly and exclusively for your trade or business. Exclusive use means that this space is not used for any nonbusiness purpose, such as watching television, during the tax year of the deduction. If the space is used for business only sporadically or occasionally, you may not meet the regular use test.

Also, your home office must be used as either (1) your principal place of business or (2) a place where you meet customers, clients, or patients in the normal course of business. You may also be able to take a deduction if you use part of your home to perform administrative or management duties and you have no other location to do this work. If you are an employee and work from home, the business use of your home must be for the convenience of your employer in order to take the deduction.

Certain expenses for a separate structure, such as a garage, may be deductible if the structure is used regularly and exclusively in connection with your business or trade. A separate structure that's used in this way does not have to be your principal place of business, or a place where you meet customers, to qualify for the deduction.

If you qualify under these tests, you can deduct certain expenses related to the business use of your home, but your deduction is limited by the percentage used for business and the deduction limit. You can deduct both direct and indirect expenses that apply to the portion of your home that you use for business purposes. Direct expenses are costs expended solely on the part of your home that you use for business purposes, and these can be deducted in full (subject to the deduction limit). They include such expenses as painting, and installation of separate telephone jacks and wiring. Indirect expenses are costs that benefit your entire home, including the portion you use for business. Indirect expenses include mortgage interest, property taxes, insurance, and so on. You may deduct a percentage of these expenses. You may use a square footage calculation or any other reasonable method to compute the business portion of indirect expenses.

If you are self-employed and not a farmer, you must file IRS Form 8829 to take advantage of the home office deduction. IRS Publication 587, titled Business Use of Your Home, offers more information on taking this deduction.

IMPORTANT DISCLOSURES

Broadridge Investor Communication Solutions, Inc. does not provide investment, tax, or legal advice. The information presented here is not specific to any individual's personal circumstances.

To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances.

These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable—we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.

AKD Consultants

Adam Dworkin

CPA

188 Whiting Street

Suite 10

Hingham, MA 02043

781-556-5554

Adam@AKDConsultants.com

