



## 2019.20 Training

*Subject: Home Business and Office Tax Deductions | Talking Points*

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***Subject: Home Business and Office Tax Deductions | Talking Points***

### **Is your home-based office a place of business?**

A home office will qualify as the principal place of business if you use it exclusively and regularly to conduct administrative or management activities of your trade or business, and if there is no other fixed location of the business where you can conduct these activities. Home office deductions cannot be more than your earned income. If they are higher, you must carry over the nondeductible expenses to the following year. Form 8829, Expenses for Business Use of Your Home, is used to deduct home office expenses for a self-employed person. The Tax Cuts and Jobs Act (TCJA or tax reform) suspended the ability to deduct home office expenses for an employee beginning January 2018.

### **Do I qualify for home office tax deductions?**

You may be entitled to a tax break if you are operating a business from your home. The following questions will help you determine whether you can deduct the business use of your home:

- Is this part of your home used regularly and exclusively in conjunction with your business or work?
- Is this your primary place of business?
- Is this where customers and clients meet with you?
- Is this where you store product samples?
- Is this where you administer or manage your trade or business?

If you answered yes to any of these questions, you may be able to deduct certain depreciation and operating expenses for the business use of your home. The same might apply if you use a separate structure (such as a shed), or store business related supplies or inventory in an area of your home.

### **How much is the home office tax deduction?**

The home office deduction is the business percentage of your total expenses for your home including rent or mortgage interest and taxes, utilities, and maintenance as well as any expenses for the home that are specific to the home office area. Each home office is specific to the taxpayer and their business meaning the actual amount of the deduction will vary based on the specific circumstances.

### **How to calculate home office deductions using the traditional method**

To use the traditional method to calculate to the home office deduction, you must keep track of the total square footage of your house and your office space. You can deduct the business percentage of your mortgage interest and property taxes or rent, the business percentage of your utilities (if electricity or gas were used to heat or cool the house), homeowner's insurance, home owner's association dues, and any casualty or theft loss deduction. You can also deduct the business percentage of any repairs or maintenance done on the whole home. In addition, you can claim the total costs of any repairs or maintenance done only to the office space. If you own the home, you will also be eligible for depreciation on the home. Report your Home Office deduction on Form 8829, Expenses for Business Use of Your Home. Any amount of deduction greater than the total income for the year may be carried forward and applied each future year the traditional method is used.

### **How to calculate standard home office deductions using the simplified method**

The simplified method of calculating the Home Office deduction is a shorter, quicker method of determining the deduction requiring less intense recordkeeping. Taxpayers can claim a standard deduction of \$5 a square foot of qualifying home office space. The deduction is limited to \$1,500 or 300 square feet. If you choose this method, you can claim no depreciation or any carryover of prior year un-allowed deduction under the traditional method. Report the simplified Home Office deduction on Schedule C, Self-Employment Income, Page 2.

Regardless of the method you choose, you must be sure to maintain the office as a separate space and no personal business or entertainment is permitted in the space.