

HOME OFFICE DEDUCTION

Historically, the home office deduction has been available to anyone who has had to work from home because their place of employment did not provide an office space. With the Tax Reform Act, effective 2018, the deduction for employees was eliminated. However, the deduction for Self Employed continues to be available.

Who can take a home office deduction or claim home office expenses?

There are two situations where you might be able to take the home office deduction or claim home office expenses. If you are:

- An independent contractor or self-employed, you'll be able to claim the home office deduction..
- An employee who falls into one of the below employment categories; you can take an unreimbursed employee expense deduction.
 - Armed Forces reservist (a member of a reserve component)
 - Qualified performing artist
 - Fee-basis state or local government official
 - An employee with impairment-related work expenses

The short version is that if you are a W-2 employee, you are no longer able to benefit from the home office deduction, even if you work from home full time. Currently, you need to have self-employment income to benefit from home office deduction

What qualifies as a home office deduction during the coronavirus? (applies only to independent contractors/self-employed individuals)

For your home office to be deductible, you must:

- Use part of your home **regularly and exclusively** for work
- Conduct most business from your home office
- To meet the exclusive use requirement, you must use a Separately Identifiable Space in your home for business, and business only.
- The home office deduction involves proving your home is the location for essential activities to your trade or business during the time frame in question, even if you have other locations.

How does a home office deduction work? (applies only to independent contractors/self-employed individuals)

To report your business income, use IRS Form 8829-Expenses for Business Use of Your Home.

Simplified method to claim the home office deduction.

- The rate is \$5 per square foot of the part of your home used for business. The maximum footage allowed is 300 square feet. This means the most you can deduct using the simplified method is \$1,500 per year.
- You may choose either the simplified method or the actual expense method for any tax year. Once you use a method for a specific tax year, you cannot later change to the other method for that same year.
- If you use the simplified method and you own your home, you cannot depreciate your home office. You can still deduct other qualified home expenses, such as mortgage interest and real estate taxes
- You can still fully deduct business expenses that are unrelated to the home if you use the simplified method. These may include costs such as advertising, supplies and wages paid to employees.
- If you use more than one home with a qualified home office in the same year, you can use the simplified method for only one in that year. However, you may use the simplified method for one and actual expenses for any others in the same year.

Regular Method - You compute the business use of home deduction by dividing expenses of operating the home between personal and business use. You may deduct direct business expenses in full, and may allocate the indirect total expenses of the home to the percentage of the home floor space used for business.

Question

- Can I get home office expenses deductible?
- Can I deduct home office expenses in 2019?
- How much can you deduct for a home office?
- Can I deduct my home office if I am not self-employed?
- How are home office expenses calculated?
- What qualifies as a home office for tax purposes?
- What can you write off as a small business owner?

Sai CPA Services: Home office deduction chart

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