

Business Use of Your Home the Basics

Agenda

- Definition of home
- Simplified method for claiming the home office deduction
- Regular method for claiming the home office deduction
- Selecting a method
- Requirements for qualifying to deduct expenses
- Types of expenses you can deduct

Agenda continued

- How to figure the deduction
- Tax implications of selling a home that was used partly for business
- Records you should keep, and
- Form 8829, *Expenses for Business Use of Your Home*

Definition of home

- The term home includes a house, apartment, condominium, mobile home, boat, or similar property which provides basic living accommodations

Simplified method

- Taxable years starting on, or after, January 1, 2013
- Significantly reduces recordkeeping burden
- \$5 per square foot of home used for business with a maximum 300 square feet
- Claimed in full on Schedule A
- No home depreciation deduction or later recapture of depreciation

Regular method

- Required for tax years 2012 and prior
- Must use actual expenses
- Based on percentage of home used for business

Selecting a method

- Simplified method
- Regular method

Once you have chosen a method for a taxable year, you cannot later change to the other method for that same year.

Requirements for qualifying to deduct expenses

- Regular use
- Exclusive use

Type of expenses you can deduct

- Expenses related to business activity
- Business use of the home Direct expenses,
- Indirect expenses, and
- Unrelated expenses
- Deduction limits

How to figure the deduction

- Based on method selected
- Tax exempt allowances
- Special rules for daycare facilities

Tax implications of selling a home that was used partly for business

- Exclude up to \$250,000 (\$500,000 for certain married persons filing a joint return)
- You must meet the ownership and use tests

Records you should keep

- Your records must show the following information.
 - The part of your home you use for business.
 - That you use part of your home exclusively and regularly for business
 - The depreciation and expenses for the business part

Form 8829, *Expenses for Business Use of Your Home*

Whether or not you should use Form 8829, depends on if you are:

- A self-employed person
- An employee, or
- Partner
- Or you choose the simplified method

Form 8829 is not used for simplified method

Additional resources

- Publication 587, *Business Use of Your Home*
- Publication 583, *Starting a Business and Keeping Records*
- *Small Business and Self Employed Tax Center -*
www.irs.gov/smallbiz