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