



Deducting Your Home Office Expenses

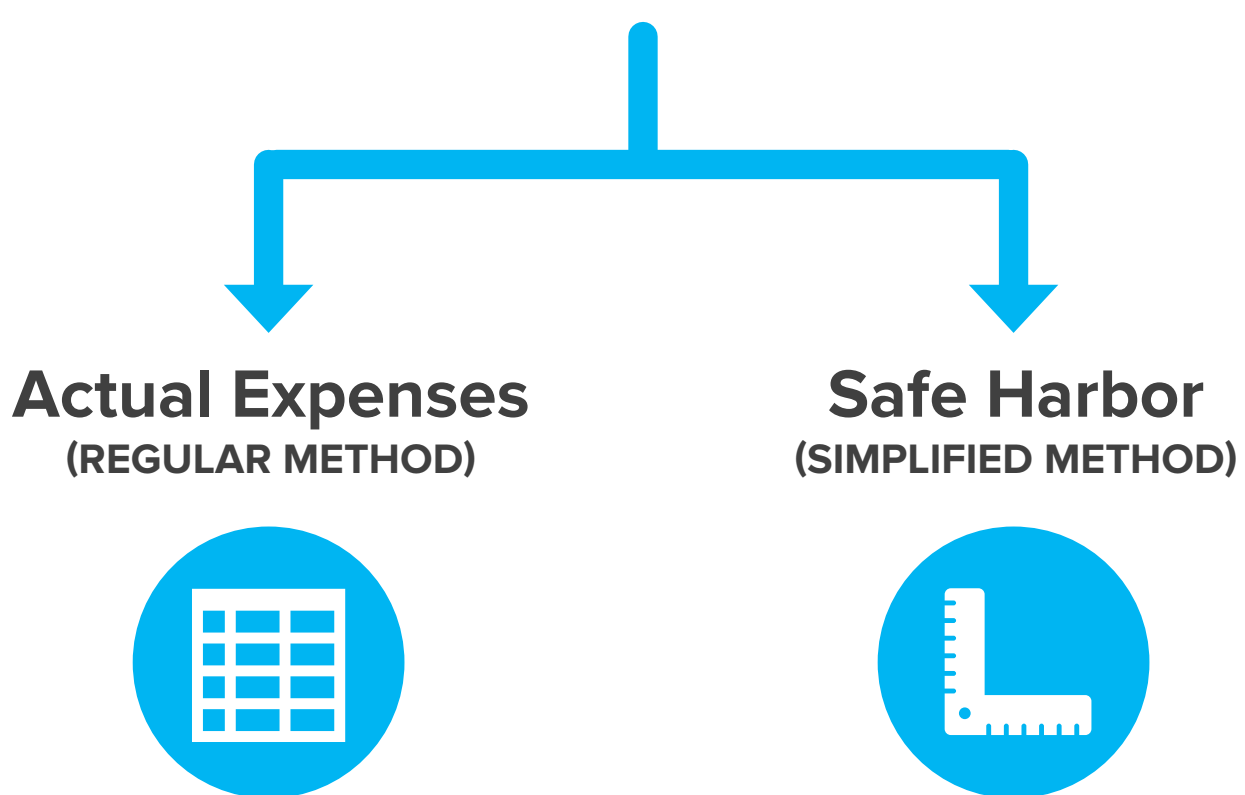
When you have space in your home that is only used for business, you can get a tax break for expenses incurred to maintain and improve that space.

A Couple of Requirements

- 1** Your space must be used regularly and exclusively for business purposes.
- 2** Make sure you have records to prove your space was only used for business.

How to Claim

There are two options for deducting your home office expenses:



Calculating actual expenses, or the regular method, lets you specify all the expenses individually and also allows for a depreciation deduction.

- Take the percentage of your home used for business.
- Record your direct expenses (e.g. office space upgrades like new paint or electric wiring) on Form 8829. These will be deductible for 100% of the expense.
- Record your indirect expenses (e.g. total electric bill for the home) on Form 8829. These will be deductible for the percent of business usage.
- Deduct depreciation for home office *IF* you own the space (renters cannot deduct depreciation).
- Calculate the home office deduction on Form 8829 and report it on Schedule C, Line 30.

The safe harbor method is a simpler process where you receive \$5 per square foot of your home office instead of reporting and substantiating actual expenses.

- Take the square footage of your home office.
- Your deduction will be \$5 times the square footage of your home office (no more than 300 square feet allowed).
- The depreciation deduction is not available if you use the safe harbor method.
- Calculate the home office deduction using the formula on Schedule C, Line 30.

