

Business Use of Home Worksheet

1) Can you deduct business use of the home expenses (for a home office)?
Please review the attached flowchart to determine.

2) Area used regularly and exclusively for business? _____ square feet

3) Total area of the home?: _____ square feet

4) I choose the Simplified Option (\$5 per square foot of home used for business). No requirement to determine actual expenses.

5) I choose the Regular Method. You must determine the actual expenses of your home office by maintaining the appropriate records. Summarize your expenses on the following worksheet:

Total Expenses for period of Business Use

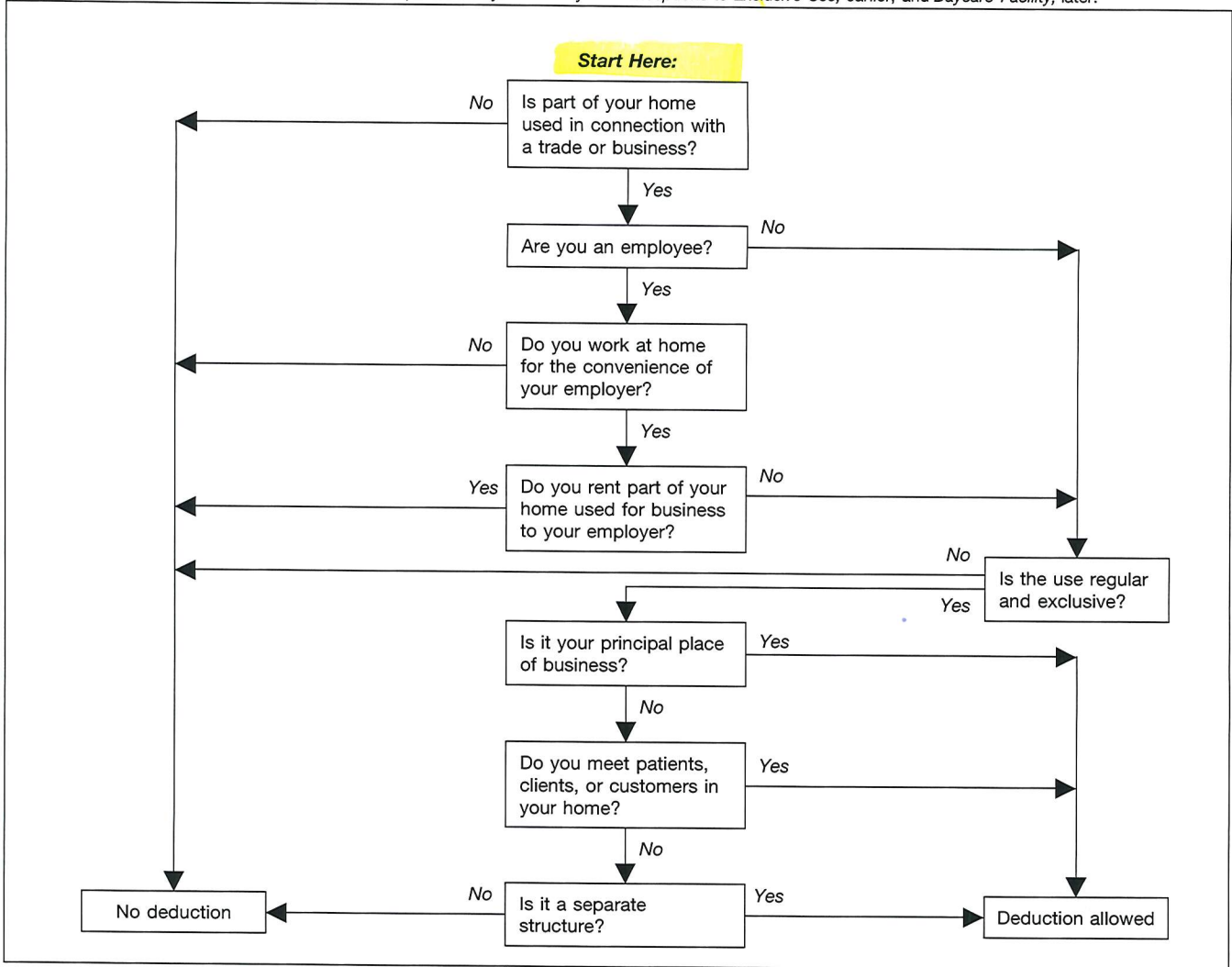
Electric: \$ _____	Maintenance: \$ _____
Gas: \$ _____	Rent: \$ _____
Water/Sewer: \$ _____	Mortgage Interest: \$ _____
Insurance: \$ _____	Real Estate Taxes: \$ _____
Exterior painting: \$ _____	Casualty Losses: \$ _____
Repairs: \$ _____	Other: \$ _____
Repairs to business portion only: \$ _____	
Painting and decorating to business portion only: \$ _____	
Other expenses – business portion only: \$ _____	

If owned and in the 1st year of Business Use

Depreciation of Business Use of Home

Date Started to Depreciate: _____ Land Value: \$ _____
Original Cost of Home: \$ _____ Fair Market Value: \$ _____

Figure A. **Can You Deduct Business Use of the Home Expenses?** Do not use this chart if you use your home for the storage of inventory or product samples, or to operate a daycare facility. See *Exceptions to Exclusive Use*, earlier, and *Daycare Facility*, later.



the hospitals provides him with a small shared office where he could conduct administrative or management activities.

Paul very rarely uses the office the hospital provides. He uses a room in his home that he has converted to an office. He uses this room exclusively and regularly to conduct all the following activities.

- Contacting patients, surgeons, and hospitals regarding scheduling.
- Preparing for treatments and presentations.
- Maintaining billing records and patient logs.
- Satisfying continuing medical education requirements.
- Reading medical journals and books.

Paul's home office qualifies as his principal place of business for deducting expenses for its use. He conducts administrative or management activities for his business as an anesthesiologist there and he has no other fixed location where he conducts substantial administrative or

management activities for this business. His choice to use his home office instead of the one provided by the hospital does not disqualify his home office from being his principal place of business. His performance of substantial non-administrative or nonmanagement activities at fixed locations outside his home also does not disqualify his home office from being his principal place of business. He meets all the qualifications, including principal place of business, so he can deduct expenses (subject to certain limitations, explained later) for the business use of his home.

Example 4. Kathleen is employed as a teacher. She is required to teach and meet with students at the school and to grade papers and tests. The school provides her with a small office where she can work on her lesson plans, grade papers and tests, and meet with parents and students. The school does not require her to work at home.

Kathleen prefers to use the office she has set up in her home and does not use the one provided by the school. She uses this home office exclusively and regularly for the administrative duties of her teaching job.



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Home Office Deduction

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If you use part of your home for business, you may be able to deduct expenses for the business use of your home. The home office deduction is available for homeowners and renters, and applies to all types of homes.

Simplified Option

For taxable years starting on, or after, January 1, 2013 (filed beginning in 2014), you now have a [simpler option](#) for computing the business use of your home (IRS Revenue Procedure 2013-13, January 15, 2013). The standard method has some calculation, allocation, and substantiation requirements that are complex and burdensome for small business owners. This new simplified option can significantly reduce recordkeeping burden by allowing a qualified taxpayer to multiply a prescribed rate by the allowable square footage of the office in lieu of determining actual expenses.

Regular Method

Taxpayers using the regular method (required for tax years 2012 and prior), instead of the optional method, must determine the actual expenses of their home office. These expenses may include mortgage interest, insurance, utilities, repairs, and depreciation. Generally, when using the regular method, deductions for a home office are based on the percentage of your home devoted to business use. So, if you use a whole room or part of a room for conducting your business, you need to figure out the percentage of your home devoted to your business activities.

Requirements to Claim the Deduction

Regardless of the method chosen, there are two basic requirements for your home to qualify as a deduction:

1. Regular and Exclusive Use.

You must regularly use part of your home exclusively for conducting business. For example, if you use an extra room to run your business, you can take a home office deduction for that extra room.

2. Principal Place of Your Business.

You must show that you use your home as your principal place of business. If you conduct business at a location outside of your home, but also use your home substantially and regularly to conduct business, you may qualify for a home office deduction. For example, if you have in-person meetings with patients, clients, or customers in your home in the normal course of your business, even though you also carry on business at another location, you can deduct your expenses for the part of your home used exclusively and regularly for business. You can deduct expenses for a separate free-standing structure, such as a studio, garage, or barn, if you use it exclusively and regularly for your business. The structure does not have to be your principal place of business or the only place where you meet patients, clients, or customers.

Generally, deductions for a home office are based on the percentage of your home devoted to business use. So, if you use a whole room or part of a room for conducting your business, you need to figure out the percentage of your home devoted to your business activities.

Additional tests for employee use. If you are an employee and you use a part of your home for business, you may qualify for a deduction for its business use. You must meet the tests discussed above plus:

- Your business use must be for the convenience of your employer, and
- You must not rent any part of your home to your employer and use the rented portion to perform services as an employee for that employer.

If the use of the home office is merely appropriate and helpful, you cannot deduct expenses for the business use of your home.

For a full explanation of tax deductions for your home office refer to [Publication 587, Business Use of Your Home](#). In this publication you will find:

- Requirements for qualifying to deduct expenses (including special rules for storing inventory or product samples).
- Types of expenses you can deduct.
- How to figure the deduction (including depreciation of your home).
- Special rules for daycare providers.
- Tax implications of selling a home that was used partly for business.
- Records you should keep
- Where to deduct your expenses (including [Form 8829, Expenses for Business Use of Your Home](#) (PDF), required if you are self-employed and claiming this deduction using the regular method).

The rules in the publication apply to individuals.

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Simplified Option for Home Office Deduction

Beginning in tax year 2013 (returns filed in 2014), taxpayers may use a simplified option when figuring the deduction for business use of their home.

Note: This simplified option does not change the criteria for who may claim a home office deduction. It merely simplifies the calculation and recordkeeping requirements of the allowable deduction.

Highlights of the simplified option:

- Standard deduction of \$5 per square foot of home used for business (maximum 300 square feet).
- Allowable home-related itemized deductions claimed in full on Schedule A. (For example: Mortgage interest, real estate taxes).
- No home depreciation deduction or later recapture of depreciation for the years the simplified option is used.

Comparison of methods

Simplified Option	Regular Method
Deduction for home office use of a portion of a residence allowed only if that portion is exclusively used on a regular basis for business purposes	Same
Allowable square footage of home use for business (not to exceed 300 square feet)	Percentage of home used for business
Standard \$5 per square foot used to determine home business deduction	Actual expenses determined and records maintained
Home-related itemized deductions claimed in full on Schedule A	Home-related itemized deductions apportioned between Schedule A and business schedule (Sch. C or Sch. F)
No depreciation deduction	Depreciation deduction for portion of home used for business
No recapture of depreciation upon sale of home	Recapture of depreciation on gain upon sale of home
Deduction cannot exceed gross income from business use of home less business expenses	Same
Amount in excess of gross income limitation may not be carried over	Amount in excess of gross income limitation may be carried over
Loss carryover from use of regular method in prior year may not be claimed	Loss carryover from use of regular method in prior year may be claimed if gross income test is met in current year

Selecting a Method

- You may choose to use either the simplified method or the regular method for any taxable year.
- You choose a method by using that method on your timely filed, original federal income tax return for the taxable year.
- Once you have chosen a method for a taxable year, you cannot later change to the other method for that same year.
- If you use the simplified method for one year and use the regular method for any subsequent year, you must calculate the depreciation deduction for the subsequent year using the appropriate optional depreciation table. This is true regardless of whether you used an optional depreciation table for the first year the property was used in business.

Full details on the new option can be found in [Revenue Procedure 2013-13](#).

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