



Home Office Deduction:

To qualify for the deduction, you need to meet four tests. You can deduct the expenses related to your home office if your use is:

- Exclusive
- Regular
- For your business
- As your principal place of business OR as a place you use regularly to meet with customers
- Figuring the Deduction

If you have met the requirements for a qualified home office, you can figure the deduction. You will need to consider the costs of taking care of your home and the cost of taking care of your office. For all of the expenses, you must maintain adequate records to support the deduction.

Expenses Always Deductible

Some expenses can be deducted even if you do not have a qualified home office. These costs should be deducted as normal business expenses and not included in the home office deduction. These expenses include:

- Office supplies
- Office wages
- Separate business telephone line
- Depreciation on office equipment & furniture (with limitations)

Expenses Never Deductible

Some expenses can't be deducted even if you have a qualified home office. These costs are always considered personal, and can't be deducted. They include:

- The first telephone line into the house
- Maintenance of your yard
- Repairs & maintenance to areas of your home not related to the office

Expenses Partially Deductible

Some expenses of maintaining your home will be partially deductible when you have a qualified home office. These expenses include:

- Mortgage Interest
- Real Estate Taxes
- Homeowners insurance
- Rent expense
- Utilities
- Monitoring of a security system
- General repairs to the home (i.e. furnace repair)

Note: The personal portions of Mortgage Interest and Real Estate Taxes are deductible on Schedule A, Itemized Deductions.