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Ken Berry, JD • Feb. 13, 2014



Would you ever look a gift horse in the mouth? A new simplified method devised by the IRS for claiming home office deductions is much faster and easier to use than the

unwieldy traditional method. But the simplified method probably won't generate

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Check Out Our Storify On the New Home Office Deduction – Is It Right For You?

<http://storify.com/gaperry/new-home-office-deduction-is-it-right-for-you>

Traditionally, the home office deduction for self-employed taxpayers is computed on Form 8829 (Expenses for Business Use of Your Home). It includes “direct” expenses, like a paint job for the room used exclusively for business, plus a proportionate share of “indirect” expenses like mortgage interest, property taxes, utilities, repairs, insurance, etc. (Note that the portion of mortgage interest and property taxes attributable to the home office would generally be deductible on Schedule A.) Icing on the cake: The taxpayer can claim as depreciation allowance for the home office.

But Form 8829, which is currently 43 lines long, takes time and effort to work through. Also, records must be collected and organized in order to rebut a potential IRS challenge.

No muss, no fuss: Beginning with the 2013 returns you're filing on behalf of clients in 2014, you don't have to complete the entire form. The only number needed is the square footage of the home office. Then you simply enter a deduction based on \$5 per square foot up to a maximum of \$1,500. For instance, the deduction for 250-square-foot bedroom used as an office is \$1,250. If the taxpayer uses 500 square feet in a finished basement for an office, the deduction is capped at \$1,500.

Sounds good, right? But the numbers may indicate that the traditional method will produce a bigger deduction and well worth the extra effort.

Let's say that your client, a self-employed landscaper, owns a house with 3,000 square feet. The client's principal place of business is a 300-square foot den where all the administrative and sales work is done. Suppose the client incurred \$1,000 in

direct home office expenses in 2013 plus indirect expenses based on 10% business use

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file an amended return reversing the election for that year.

Income Tax

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