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The midterm elections are long over but some of the most important “votes” for 2014 aren't in yet. Specifically, certain elections on the tax returns of your clients can either make or break their year. And, if you point them in the right direction, they'll likely continue to choose you as their tax return preparer for years to come, especially if the tax savings are significant

What sort of elections are we talking about? This article kicks off a new tax return series starting with a reason to bypass a simplified deduction method on Form 8829 (Expenses for Business Use of Your Home).

Home office deductions may be claimed if you use the office space regularly and exclusively as (1) your principal place of business or (2) as a place where you meet or deal with customers, clients or patients in the normal course of business. If you're an employee of a company, you must also work from home for the “convenience” of your employer (i.e., this requirement is specified in your employment contract).

For instance, if you've set up as sideline business where you sell goods or services from home, you will likely qualify under the tax law tests. But you probably won't be eligible for deductions if you're a workaholic with your main office in the city and you spend weekends in your den pouring over your files.

As a general rule, you may write off the direct expenses of your home office, plus a proportionate share of indirect expenses such as mortgage interest and real estate taxes, utilities, insurance and repairs. (Mortgage interest and real estate taxes are

personally deductible in any event.) Furthermore, you can claim a depreciation or

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method for home office deductions. When you add up all the eligible expenses, you might easily surpass the \$1,500 maximum amount allowed by the simplified method.

Say that you're self-employed and your 3,000 square-foot home is the principal place of your business. You use one of the bedrooms of 300 square feet, or 10 percent of the home, as your business office. For simplicity, we'll assume that you have \$1,600 in direct home office expenses, you're allowed a \$400 depreciation allowance under the IRS tables and you incurred \$10,000 in indirect expenses in 2014 (disregarding mortgage interest and real estate taxes).

Now compare the results: The traditional method yields a total deduction of \$3,000 ( $\$1,600 + \$400 + 10 \text{ percent of } \$10,000$ ) – or double the amount of the simplified deduction. Assuming you have the records to support your claims, skipping the simplified method is a virtual no-brainer.

Finally, note that Form 8829 requires you to figure out the business use percentage of the home based on square footage, but you're technically allowed to use any reasonable method for this determination. In some cases, a percentage based on the number of rooms in the home may be preferable. Explain the options to your clients and make the best choice for their situation.

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