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Sep. 23, 2020



Small Business Week, Sept. 22-24 is a good time for individuals to consider taking the home office deduction if they qualify. The benefit may allow taxpayers working from home to deduct certain expenses on their tax return.

The home office deduction is available to qualifying self-employed taxpayers, independent contractors and those working in the gig economy. However, the **Tax**

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To claim the deduction, a taxpayer must use part of their home for one of the following:

- Exclusively and regularly as a principal place of business for a trade or business
- Exclusively and regularly as a place where patients, clients or customers are met in the normal course of a trade or business
- As a separate structure that's not attached to a home that is used exclusively and regularly in connection with a trade or business
- On a regular basis for storage of inventory or product samples used in a trade or business of selling products at retail or wholesale
- For rental use
- As a daycare facility

The term "home" for purposes of this deduction:

- Includes a house, apartment, condominium, mobile home, boat or similar property
- Includes structures on the property, like an unattached garage, studio, barn or greenhouse
- Doesn't include any part of the taxpayer's property used exclusively as a hotel, motel, inn or similar business

Qualified expenses

Deductible expenses for business use of home normally include the business portion of real estate taxes, mortgage interest, rent, casualty losses, utilities, insurance, depreciation, maintenance, and repairs. In general, a taxpayer may not deduct expenses for the parts of their home not used for business; for example, expenses for lawn care or painting a room not used for business.

Claiming the deduction

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Using the Simplified Option, qualifying taxpayers use a prescribed rate of \$5 per square foot of the portion of the home used for business (up to a maximum of 300 square feet) to figure the business use of home deduction. A taxpayer claims the deduction directly on IRS Schedule C. [Revenue Procedure 2013-13 \(PDF\)](#) provides complete details of this safe harbor method.

Daycare facilities

Taxpayers who use their home on a regular basis for providing daycare may be able to claim a deduction for part of the home even if it is used as the same space for nonbusiness purposes. To qualify, both of the following requirements must be met:

- The business must provide daycare for children, people age 65 or older, or people who are physically or mentally unable to care for themselves.
- The business must have applied for, been granted, or be exempt from having a license, certification, registration, or approval as a daycare center or as a family or group daycare home under state law.

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