

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Ken Berry, JD • May. 07, 2023



In the not-so-distant past, working primarily from a remote location like your home was a somewhat unusual occurrence. Not anymore. Due to the pandemic, having employees work from home became standard operating procedure. This included small business owners who regularly burn the midnight oil. And the trend has continued even though the pandemic has abated.

Normally, you may be eligible for home office deductions if you're self-employed or you operate your business as an S corporation or partnership. However, if you are an employee of a C corporation, you can't deduct home office deductions, even if you work from home most or all of the time.

Possible solution: You might have your C corporation rent the home office. The rent

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

property taxes and a generous depreciation allowance—based on the percentage of the home used for business, plus any direct expenses incurred for the home office.

Previously, deductions were available if the home office was used for the convenience of the employer. However, under current law you aren't allowed to claim any home office deductions if you're an employee. Nevertheless, you can still save tax by renting your home office to your employer.

For example, say that you work the vast majority of the time in your home office, but you don't qualify for home office deductions because you're an employee. Instead of taking a \$10,000 salary increase, you rent the home office to the company for \$10,000 a year. The company deducts the rental expense on its annual return.

As a result, you must pay income tax on the rental income, but neither you nor the company owe any payroll tax on this amount. This saves both you and the company as much as \$765 a year ($\7.65% of \$10,000). Based on these facts, the total tax savings come to \$1,530 ($\750×2).

Caveat: Make sure the company is paying you a reasonable rent for the space. It should be the same rate that would be charged to a third party. Otherwise, the IRS might treat the rent payments as nondeductible dividends. Also, you must show a bona fide business need for the rental arrangement.

Does this make sense for you and your company? It depends. Obtain expert advice from your professional tax advisors regarding your situation.

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us