

Home Office Requirements

Trade or Business Requirement

For a taxpayer to be entitled to a home office deduction, the office must be used in the taxpayer's trade or business. Expenses incurred in connection with a home office used for investment or other income-producing activities do not qualify for the deduction.

Exclusive Use Requirement

Exclusive use means that the taxpayer must use a "portion of the dwelling unit" solely for purposes of carrying on a trade or business. If the portion of the dwelling unit is used for both business and personal purposes, the exclusive use test is not met.

Regular Use Requirement

A home office must be used on a regular basis for business purposes in order to qualify for a home office deduction. The purpose of this requirement is to prevent a taxpayer from claiming a home office deduction for a room that is used only sporadically for business purposes.

Qualifying Uses That Must Be Regular and Exclusive

The home office must be the principal place of any of the taxpayer's trades or businesses to qualify for a deduction. If the office is a separate structure, it must be used in connection with the taxpayer's trade or business. Must be used in meeting or dealing with patients, clients, or customers in the normal course of the taxpayer's trade or business.

If you qualify to claim business use of the home expenses, use the business percentage of these expenses to figure your total business use of the home deduction. These expenses included the following:

- Real estate taxes
- Deductible mortgage interest
- Casualty losses
- Depreciation
- Insurance
- Rent
- Repairs
- Security system
- Utilities and services
- Other expenses such as garbage removal, snow plowing etc.

*This information should be used as a guideline. Specific questions regarding this "Biz Facts" should be directed to a Business by Design tax professional.