

**Abstract:** Many people who began working from home during the COVID-19 pandemic are still doing so, full or part-time. Business owners who moved their operations to a home office, or at least began performing some work functions there, may be able to claim home office expenses against their business income. This article describes how to qualify for home office deductions and the two methods owners can choose from to claim this tax break.

## **Do you run a business from home?**

The COVID-19 pandemic changed the landscape of work for a lot of people, as numerous business owners began working from their homes. Many are still working from their home offices, whether full-time or on a hybrid basis. If you're self-employed and run your business from home, or perform certain functions there, you might be able to claim deductions for home office expenses against your business income. There are two methods for claiming this tax break: the actual expenses method and the simplified method.

### **How to qualify**

In general, a self-employed taxpayer qualifies for home office deductions if part of his or her home is used "regularly and exclusively" as the principal place of business.

If your home isn't your principal place of business, you may still be able to deduct home office expenses if:

1. You physically meet with patients, clients or customers on your premises, or
2. You use a storage area in your home (or a separate free-standing structure, such as a garage) exclusively and regularly for business.

### **Expenses you can deduct**

Many eligible taxpayers deduct actual expenses when they claim home office deductions.

Deductible home office expenses may include:

- Direct expenses, such as the cost of painting and carpeting a room used exclusively for business,
- A proportionate share of indirect expenses, including mortgage interest, rent, property taxes, utilities, repairs and insurance, and
- Depreciation.

But keeping track of actual expenses can take time and it requires organized recordkeeping.

### **The simpler method**

Fortunately, there's a simplified method: You can deduct \$5 for each square foot of home office space, up to a maximum total of \$1,500.

The cap can make the simplified method less valuable for larger home office spaces. Even for small spaces, taxpayers may qualify for bigger deductions using the actual expense method. So tracking your actual expenses can be worth it.

### **Changing methods**

When claiming home office deductions, you're not stuck with a particular method. For instance, you might have chosen the actual expense method when you filed your 2022 return, but then use the simplified method when you file your 2023 return next year, and the following year switch back to the actual expense method. The choice is yours.

### **What if I sell the home?**

If you sell — at a profit — a home on which you claimed home office deductions, there may be tax implications, though they are beyond the scope of this article. We can explain them to you.

Also be aware that the amount of your deductions is subject to limitations based on the income attributable to your use of the office. Other rules and limitations may apply. But any home office expenses that can't be deducted because of these limitations can be carried over and deducted in later years.

### **Different rules for employees**

Unfortunately, the Tax Cuts and Jobs Act suspended home office deductions from 2018 through 2025 for *employees*. Those who receive paychecks or Form W-2s aren't eligible for deductions, even if they're currently working from home because their employers don't provide office space.

We can help you determine if you're eligible for home office deductions and how to proceed in your situation.

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