



In-Home Office Rules

A taxpayer can generally rely on two types of information to prove his or her regular use of a home office for purposes of the deduction:

1. A contemporaneous log of time spent in the office; and
2. Documents corroborating time spent in the office, such as –
 - a. emails sent,
 - b. a guest log signed by clients, or
 - c. telephone billing statements indicating the taxpayer made telephone calls from the home office during the times indicated in the log.

Home-Office Deduction Qualification Thumbnail

Exclusive use	Unless an exception to exclusive use applies because a) the space is used for storage of inventory or product samples used in the business, or b) the business is a qualified daycare facility, the space used must be the principal place of the taxpayer's business to qualify for the home-office deduction.
Regular use	The specific space in the taxpayer's home must be used for business on a regular basis to qualify for the home-office deduction. Incidental or irregular use of the space for business purposes is insufficient to qualify for a home-office deduction.
Principal place of business	In the situation in which a taxpayer has multiple locations at which business is conducted, the space in the taxpayer's home must be the principal place of business to qualify for a home-office deduction unless an exception applies because a) the space is used by the taxpayer to meet patients, clients, or customers in the normal course of business, or b) the space is a separate structure used exclusively and regularly in the taxpayer's business.

Direct Expense Example

Examples of direct expenses that may be deductible in full, subject to the deduction limit, include expenses for:

Direct Expense Example

- Painting,
 - Making needed repairs, and
 - Cleaning carpets
- ...only in the area used for business purposes.

Indirect expenses are those expenses the taxpayer incurs for keeping up and running his or her entire home. Such indirect expenses are deductible under the home-office deduction in an amount based on the percentage of the taxpayer's home used for business purposes. Similar to direct expenses, the deduction of indirect expenses is subject to the applicable deduction limit.

Indirect Expense Example

Examples of indirect expenses that may be deductible in part, based on the percentage of the home used for business purposes and subject to applicable deduction limits, include expenses for:

- Insurance,
- Utilities,
- General repairs, and
- Homeowner association dues.

The third category of taxpayer expenses—expenses that are unrelated—are expenses applicable only to the parts of the taxpayer's home that are not used for business purposes. These unrelated expenses are not deductible.

Unrelated Expense Example

Unrelated expenses incurred by a taxpayer whose business use of a home qualifies for a home-office deduction for direct and allocable indirect expenses include expenses for:

- Lawn maintenance, and
- Painting of rooms not used for business purposes.

Such unrelated expenses are not deductible for purposes of the home-office deduction.