

## Home Office Deduction

Taxpayers are allowed a deduction for home office expenses if the space is used regularly and exclusively as a principal place of business. Exclusive means just that. Courts have denied the deduction to taxpayers when the space was used after hours by family members. Use of a business computer (in the business space) for personal purposes or the presence of a TV can jeopardize the deduction. The point here is that the IRS is very strict when it comes to home office deductions, and taxpayers are well advised to be very cautious about trying to push the envelope when it comes to deducting home office expenses.

Effective for the 2013 tax year, the IRS has provided a simplified option to compute and claim home office deductions. A taxpayer may use \$5.00 per square foot (up to 300 feet) as a qualified expense for home office. Current restrictions such as exclusive use of space for business and deductions limited to income still apply. No depreciation may be claimed for the home office, but the really good news here that mortgage interest and real estate taxes need not be allocated and can be claimed at 100% as itemized deductions. The new rules can be found in Revenue Procedure 2013-13

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