



Topic 509 - Business Use of Home

Whether you are self-employed or are an employee, you may be able to deduct certain expenses for the part of your home you use for business despite the general denial of business expense deductions for the home.

To deduct expenses for business use of the home, part of your home must be used as one of the following:

1. Exclusively and regularly as your principal place of business for your trade or business
2. Exclusively and regularly as a place where you meet and deal with your patients, clients, or customers in the normal course of your trade or business; or
3. A separate structure used exclusively and regularly in connection with your trade or business that is not attached to your home
4. On a regular basis for certain storage use
5. For rental use
6. As a daycare facility

When the exclusive-use requirement applies, you cannot deduct business expenses for any part of your home that you use for both personal and business purposes. For example, if you are an attorney and use the den of your home to write legal briefs and also for personal purposes, you may not deduct any business-use-of-your-home expenses. Further, under the principal-place-of-business test, you must determine that your home is the principal place of your trade or business after considering where your most important activities are performed and most of your time is spent, in order to deduct expenses for the business use of your home. Additionally, a portion of your home may qualify as your principal place of business if you use it for the administrative or management activities of your trade or business and you have no other fixed location where you conduct substantial administrative and management activities for that trade or business. An employee may only deduct business-use-of-the-home expenses when the business part of the home is used regularly and exclusively and for the employer's convenience.

Deductions also may be taken for business storage purposes when the dwelling unit is the sole fixed location of the business or for regular use of a residence for the provision of day care services; exclusive use is not required in these cases. For more information, see [Publication 587, Business Use of Your Home](#).

Deductible expenses for business use of your home include the business portion of real estate taxes, mortgage interest, rent, casualty losses, utilities, insurance, depreciation, maintenance, and repairs. You may not deduct expenses for lawn care in general or for painting a room not used for business.

When figuring the amount you can deduct for the business use of your home, you can use the entire amount of expenses attributable solely to the portion of the home used in your business. The amount you can deduct for expenses attributable to the whole house depends on the percentage of your home used for business. To figure this percentage, you may divide the number of square feet used for business by the total square feet in your home. Or, if the rooms are approximately the same size, divide the number of rooms used for business by the total number of rooms in your home. You figure the business portion of your expenses by applying this percentage to the total of each expense. If you are a qualified day-care provider who does not use any area exclusively for day care, your business portion is further limited by the ratio of the

number of hours the area is used exclusively for business to the total number of hours the portion was available for any use.

You may not deduct your business expenses in excess of the gross income limitation (your gross income derived from the business use of your home less the business portion of mortgage interest, real estate taxes, and casualty losses, and business expenses like salaries and supplies). However, you may be able to carry forward some of these business expenses to the next year, subject to the gross income limitation for that year. If you itemize your deductions on [Form 1040, Schedule A](#) (PDF), you may still be able to deduct your personal portion of mortgage interest, property taxes, and casualty losses on that schedule.

If you are in the farming business or are an employee, use the worksheet in [Publication 587, Business Use of Your Home](#), (including use by daycare providers) to figure your deduction. As an employee, you must itemize deductions on [Form 1040, Schedule A](#) (PDF) to claim expenses for the business use of your home. Farmers claim their expenses on [Form 1040, Schedule F](#) (PDF). If you are self-employed, use [Form 8829](#) (PDF) to figure your business-use-of-the-home deductions and report those deductions on [Form 1040, Schedule C](#) (PDF).

[Publication 587](#) has detailed information on rules for the business use of your home, including how to determine if your home office qualifies as your principal place of business.

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