



New Easy Method for Home Office Deduction

How does working from home effect your income taxes? Can you deduct expenses? Well. . . it depends. The area of your home that you use for your office must only be used for business. Beware that as soon as you add a section to your filing cabinet for personal bills or a sofa bed for visitors, the space is no longer exclusively for business and you lose the deduction.

What is eligible for deduction? This is where math comes in. Divide the square footage of your office by the total square footage of your home. This will give you a percentage. You take as a deduction the total costs for upkeep and maintenance of your home multiplied by that percentage. You may also depreciate that portion of your home. And lastly, you take 100% of fix-up and maintenance costs for the office space itself.

New from 2013, the IRS has created an optional simplified method for taking the home office deduction. You simply multiply the square footage of your office by \$5. The maximum deduction you can take with this method is \$1500. You can use either method and alternate between methods each year if one gives you a better deduction than the other.

The author, Kaye Alvarez, is an enrolled agent, federally authorized to represent taxpayers before the IRS for income taxes, audits, collections, and appeals.