

Simplified Option for Home Office Deduction

Do you work from home? If so, you may be familiar with the home office deduction, available for taxpayers who use their home for business. Beginning this year, there is a new, simpler option to figure the business use of your home.

This simplified option does not change the rules for who may claim a home office deduction. It merely simplifies the calculation and recordkeeping requirements. The new option can save you a lot of time and will require less paperwork and recordkeeping.

Here are six facts the IRS wants you to know about the new, simplified method to claim the home office deduction.

1. You may use the simplified method when you file your 2013 tax return next year. If you use this method to claim the home office deduction, you will not need to calculate your deduction based on actual expenses. You may instead multiply the square footage of your home office by a prescribed rate.
2. The rate is \$5 per square foot of the part of your home used for business. The maximum footage allowed is 300 square feet. This means the most you can deduct using the new method is \$1,500 per year.
3. You may choose either the simplified method or the actual expense method for any tax year. Once you use a method for a specific tax year, you cannot later change to the other method for that same year.
4. If you use the simplified method and you own your home, you cannot depreciate your home office. You can still deduct other qualified home expenses, such as mortgage interest and real estate taxes. You will not need to allocate these expenses between personal and business use. This allocation is required if you use the actual expense method. You'll claim these deductions on Schedule A, Itemized Deductions.
5. You can still fully deduct business expenses that are unrelated to the home if you use the simplified method. These may include costs such as advertising, supplies and wages paid to employees.
6. If you use more than one home with a qualified home office in the same year, you can use the simplified method for only one in that year. However, you may use the simplified method for one and actual expenses for any others in that year.

Visit IRS.gov for more about this easier way to deduct your home office.

Source: IRS.gov