

Michelle Hughes, CPA

654 Metacom Ave, Suite 3

Warren, RI 02885

(401) 289-3888

Here are the steps you need to take to deduct your home office as an S-Corporation Shareholder/Owner.

1. You must set up an accountable plan. (see sample document)
 - a. This plan will outline which expenses will be eligible for reimbursement, and how they will be paid.
2. Calculate the percentage of your home that is used exclusively for business purposes.
 - a. (see worksheet) - To calculate this percentage, divide the home office square footage by the total square footage of your home.
 - b. example: if your home office was a 10×10 room, the square footage of would be 100. If your entire home was 1,500 square feet, you would divide 100 by 1,500. In this case, you would get to deduct 6.7% of your home office expenses by multiplying that percentage by eligible home expenses like mortgage interest or monthly rent, utilities, interest, and repairs.
3. Calculate the total amount of eligible reimbursable expenses.
 - a. Use the [IRS Form 8829](#) to assist with this calculation.
Multiply each amount by the percentage of business use

calculated in the step 2 and enter the results on the expense form that you use for your accountable plan.

4. As an employee of the S-Corp, you must prepare expense reports and submit them to your company on a regular basis.

a. Be sure to keep all receipts or other documentation associated with the expense.

5. To reimburse yourself for the expense, cut a check from the business account and deposit it into your personal account.

a. Attach a copy of the check/transaction to the expense form as documentation that these were paid.

6. Enter the amount of the payment into your S-Corp's records as a reimbursement for employee expenses.

a. Assign each expense claimed to the appropriate expense account category so that these expenses may be deducted from the S-Corp's income on its tax return.