



Get In Touch

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Home Office Deductions

Summary

Unlock big tax savings with the Home Office Deduction, which allows you to write off a portion of your rent, utilities, and other expenses if you use part of your home exclusively for business. Whether you're self-employed or running a side hustle, this deduction can significantly reduce your taxable income—just make sure you meet the IRS rules to claim it!

Our Services

- 01 Taxsmithing (Tax Strategy)
- 02 Tax Preparation
- 03 Accounting / Bookkeeping
- 04 Small Business Support
- 05 Fractional CFO Services





HOME OFFICES

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BACKGROUND

The Home Office Deduction was introduced in 1976 but became a frequent audit target due to misuse. In 1999, the IRS tightened the rules, requiring exclusive and regular business use. To simplify claims, the simplified deduction method was introduced in 2013, offering a flat-rate option for small business owners.

What is the Home Office Deduction?

The Home Office Deduction allows self-employed individuals and small business owners to deduct a portion of their home expenses, like rent, utilities, and internet, if they use a dedicated space exclusively for business. It can be calculated using the simplified method (a flat rate per square foot) or the actual expense method (a percentage of total home costs), both reported on IRS Form 8829. This deduction helps lower taxable income, but strict IRS rules require the space to be used regularly and solely for business purposes.

WATCH OUT!

Failing the EXCLUSIVE USE rule—using your home office for anything other than business—can disqualify your deduction, trigger an audit, and lead to penalties or back taxes.

How does it work?

- Exclusive & Regular Use** – The space must be exclusively and regularly used for business; no personal activities can take place in that area.
- Principal Place of Business** – Your home office must be your primary business location, or where you regularly meet clients, customers, or do administrative work.
- Two Deduction Methods** – You can choose between the Simplified Method (flat \$5 per square foot, up to 300 sq. ft.) or the Actual Expense Method (calculating the business-use percentage of home expenses).
- Self-Employed & Business Owners Only** – W-2 employees cannot claim this deduction unless they have a separate business; this changed with the 2018 tax reform.
- Reported on IRS Form 8829** – If using the Actual Expense Method, you must file Form 8829, Expenses for Business Use of Your Home, along with Schedule C. Failing to meet these rules can lead to an audit risk, so it's crucial to document and calculate expenses accurately!



Call Us
(972) 442-5020



Our Location
945 Stockton Drive, #3120
Allen, TX 75013

BUSINESS USE OF HOME



DIRECT EXPENSES

Repairs, maintenance, and office furniture used exclusively in your home office, are 100% deductible

INDIRECT EXPENSES

Sq Ft of Office Space	Sq Ft of Total House	Rent	Mort. Interest & Prop Insurance	Homeowners or Renter Insurance	Utilities	Security & Other

SIMPLIFIED METHOD

Sq Ft of
Office Space

Sq Ft of
Total House

\$5 per square foot
(up to 300 sq. ft.,
maxing at \$1,500)

Save this backup
for your taxes!

