



**RUNNING A HOME-BASED
BUSINESS?
IMPORTANT TAX INFORMATION YOU
NEED TO KNOW!**

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HI THERE, I'M MONICA GAMBLIN

Providing you with useful resources
for tax time



In this e-book I will share to you how to properly deduct home-based business expenses.

If you are interested in learning about more useful tax tips and deductions, feel free to visit our website www.thegamblinggroup.com

This is for informational purposes only


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In addition to usual company expenses, running a home-based business might provide tax benefits for house renovations.

The global coronavirus pandemic has wreaked havoc on businesses across the country, forcing many employees to work from home until things improve. For some small business owners, however, the move to working from home has proven to be both efficient and cost-effective, pushing many businesses to contemplate making work-from-home orders permanent.

If you have a dedicated area in your house that you use for business, you may be eligible to deduct it along with some of your other home expenses on your tax return if you meet the IRS's home office deduction standards.





THE 'EXCLUSIVE USE' TEST

In general, you must be able to demonstrate that a section of your house serves as your primary place of business and that this space is used for business on a regular and exclusive basis. You cannot claim the Home Office Deduction if you do not have a separate business area in your house. This is known as the "Exclusive Use" test.

The Home Office Deduction, for example, can be claimed for a spare room in your home that is solely utilized as a business office. However, because you use those areas for additional personal functions, a bedroom or living room where you work on business e cannot be claimed.

Businesses that store goods or product samples, or that use their house as a daycare facility, are exempt from the "Exclusive Use" test.

To claim the home office deduction, you must also be a registered business owner or independent contractor. If you work from home as an employee of another company, you are not eligible for the home office deduction.



WHAT EXPENSES ARE DEDUCTIBLE FOR HOME-BASED BUSINESSES

The following is a list of the most typical tax deductions claimed by home-based business operators.

Consult an accountant or other financial professional to see if you qualify for any of these deductions, as well as any others that aren't listed here.



HOME-RELATED EXPENSES

Deductions for home offices are calculated based on the percentage of your house that you use for business. Divide the square footage of your office space by the total square footage of your home to get this amount. It's critical that these calculations are correct, and that you only deduct the correct percentage of each item.

IF YOU DO MEET IRS GUIDELINES, YOU CAN DEDUCT THE FOLLOWING HOME-RELATED EXPENSES:

- Homeowner's Insurance
- Homeowner's Association Fees
- Cleaning Services or Cleaning Supplies used in your business space
- Mortgage Insurance and Interest
- Utilities, including Electricity, Internet, Heat and Phone

REPAIRS AND MAINTENANCE

If you perform home repairs or improvements that are directly related to your company space, you may be able to deduct these costs from your taxes.

THE AMOUNT YOU CAN WRITE OFF DEPENDS ON WHETHER THE EXPENSE IS

- Direct, which means that it only benefits your home office, or
- Indirect, offering a benefit to your entire home.

What is the difference between direct and indirect office repairs?

DIRECT: IF YOU SPEND \$100 TO FIX A WINDOW IN YOUR HOME OFFICE, YOU MAY DEDUCT THE FULL \$100 ON YOUR TAXES.

INDIRECT: IF YOU PAY \$1,000 TO REPAIR A LEAK IN YOUR ROOF, YOU MAY ONLY DEDUCT A PERCENTAGE OF THAT EXPENSE EQUIVALENT TO THE PERCENTAGE OF YOUR HOME USED FOR BUSINESS.

Long-term renovations to your house, such as a full roof replacement or room renovation, may also be deducted, but these must be depreciated over time. Repairs, on the other hand, can be deducted in their whole in a single tax year.

OTHER DEDUCTIBLE BUSINESS EXPENSES

A company expense must be both usual and essential to qualify as deductible, meaning the expense is common and beneficial to your trade or industry. Regardless of whether you qualify for the home office deduction, you can deduct the following expenses on your home-based company tax return:

- Cost of the Products Sold
- Investing Costs
- Use of your Vehicle for business purposes
- Payments to Employees
- Plans for Retirement
- Expenses for Rent
- Interest
- Business Taxes
- Business Insurance
- Business Meals
- Travel
- Materials and Supplies
- Professional Services
- Marketing and Business Development.

THE IRS PROVIDES A DETAILED EXPLANATION OF THESE TYPES OF EXPENSES AND WHAT IS ELIGIBLE FOR DEDUCTION.



Want to learn more?

The team of Financial Professionals at The Gamblin Group, LLC are talented and hard-working individuals who believe in helping families and business owners achieve Financial Security and Generational Wealth.

Through our core focus of building and protecting the financial resources of those we serve, we have helped countless families and businesses achieve this goal.

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