

Tax Tips

For Small Business

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Deducting the Business Use of Your Home

Don't overlook your home office

If you use a portion of your home for business, you may be able to take a home office deduction whether you are self-employed or an employee. Expenses that you may be able to deduct for business use of the home may include the business portion of real estate taxes, mortgage interest, rent, utilities, insurance, depreciation, painting, and repairs.

You may claim this deduction for the business use of part of your home only if you use that part regularly and exclusively:

- As your principal place of business for any trade or business; or
- As a place to meet or deal with your patients, clients, or customers in the normal course of your trade or business.

Generally, the amount you can deduct depends on the percentage of your home that you used for business. Your deduction will be limited if your gross income from your business is less than your total business expenses. The percentage of your home used for business is based on either the total number of rooms or square footage. If you use a separate structure not attached to your home for an exclusive and regular part of your business, you can deduct expenses related to it.

If you are an employee, you have additional requirements to meet. The regular and exclusive business use must be for the convenience of your employer. This means you are not allowed a home-office deduction if your employer does not require you to work at home.

