

If you work out of your home, you may be entitled to deduct expenses related to your home office.

In order to deduct home office expenses, you must meet certain qualifications including:

- Exclusive and regular use as a home office
- On-going trade or business

Once you have determined that you qualify for the home office deduction, your expenses should be categorized as direct, indirect, or unrelated.

Direct expenses include expenses only used in the business part of your home such as painting or repair in that area only.

- These expenses are normally 100% deductible

Indirect expenses are expenses you normally incur to run your entire home and include items such as:

- Utilities
- Insurance
- Pest control
- Cleaning services
- Security services
- Mortgage interest
- Real estate taxes
- General repairs

These expenses are deducted based on the percentage of your home used for business. Home office space can include storage space for business files and supplies. Make sure and provide the square footage of your home and office space to calculate the ratio.

Unrelated expenses are not deductible and include:

- Lawn care services
- Landscaping
- Basic costs of first phone line

Publication 587 available on the IRS website provides additional information regarding the home office deduction.

This document is to be used a guide and is not intended to be an authoritative source.