

Home Office Tax Deduction – A Key Advantage of Doing Business at Home

Saving on rent isn't the only advantage you'll enjoy once you've discovered a profitable way of doing business at home. If you have the necessary license and papers to do business at home, you have the right to apply to the IRS as well for home office tax deductions.

Who and What Qualifies for Home Office Tax Deductions

Let's talk about technical requirements later. For now, let's concentrate on the who part: whether you're the owner or you're just leasing or renting the place you're doing business in, you're still eligible to apply for home office tax deductions.

Fortunately for all of us, the IRS isn't very fussy when it comes to the definition of home. It can be anything between a home, apartment or condominium unit, or even a trailer; the important thing is that it's a place where you can cook and sleep.

Requirements for Home Office Tax Deduction

All, not just some, but all requirements specified below must be complied if you wish to get home office tax deductions:

Regular and Exclusive Use of Home – You must use your house as your worksite in a continuous basis; secondly, the part which represents your worksite must be exclusively used for your home business. If your home office doubles as a study room, that will make you automatically ineligible for home office tax deductions.

Storage – Storing your products or inventory at home will also allow you to enjoy tax deductions just as long as you don't have another warehouse outside home.

Principal Place of Business – Similarly, if you have another office outside home, you won't be able to fulfill this particular requirement. Your home must be the only place where you conduct your business.

Tips for Claiming Home Office Tax Deductions

Don't attempt to deceive the IRS. If you have another office outside home, the IRS will know about it sooner or later and then you'll be in deeper trouble.

Always have your clients sign a log book whenever you meet them at home. This will serve as proof for the IRS that you're indeed using your home as your business' headquarters as well.

Warn your family and friends from trespassing in your business office. Explain to them the need to keep exclusive use of the room so that they won't take your refusals to heart.

Lastly, separate as much as possible of your household accounts from your business expenses. If you're able to apply for a business phone line, do so. If you can have a separate meter for your electricity installed, do so. Doing so will make yours and the IRS' job easier.

About the Author

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