



## SCHEDULE C (Business Use of Home Expenses)

*If this is the first year claiming this deduction, please provide:*

1. The HUD-1 Settlement Statement and/or Closing Disclosure from when you purchased your home.
2. The cumulative total expenditure for prior year(s) capital improvements to your home (see 2<sup>nd</sup> page for examples): \$ \_\_\_\_\_

**Square footage of space exclusively used for business:** \_\_\_\_\_

**Total square footage of your home:** \_\_\_\_\_

**INDIRECT EXPENSES:** benefit both the business and personal parts of the home. Includes expenses for upkeep and running of the entire home. Please provide the annual totals. We will determine the deductible percentage based on square footage above.

*Please provide Form 1098-MIS showing mortgage interest*

**Property Taxes:** \$ \_\_\_\_\_

**Homeowner's Insurance:** \$ \_\_\_\_\_

**Repairs & Maintenance:** \$ \_\_\_\_\_

**Capital Improvements (see 2<sup>nd</sup> page for examples):** \$ \_\_\_\_\_

**Utilities:**

<b>Internet</b>	\$ _____
<b>Office Electricity</b>	\$ _____
<b>Office Heat</b>	\$ _____
<b>Office Water/Sewer</b>	\$ _____

**DIRECT EXPENSES:** benefit only the business part of the home. Included, but not limited to painting or repairs made to the specific area or room used exclusively for business. 100% of direct expenses are deductible.

**Expense & Description:** \_\_\_\_\_

**Expense & Description:** \_\_\_\_\_

**Notes or questions to preparer:**





## Examples of Improvements That Increase Basis

Keep for Your Records



Additions	Systems
Bedroom	Heating system
Bathroom	Central air conditioning
Deck	Furnace
Garage	Duct work
Porch	Central humidifier
Patio	Central vacuum
	Air/water filtration systems
	Wiring
	Security system
	Lawn sprinkler system
<b>Lawn &amp; Grounds</b>	
Landscaping	
Driveway	
Walkway	
Fence	
Retaining wall	
Swimming pool	
<b>Exterior</b>	<b>Plumbing</b>
Storm windows/doors	Septic system
New roof	Water heater
New siding	Soft water system
Satellite dish	Filtration system
<b>Insulation</b>	<b>Interior</b>
Attic	Built-in appliances
Walls	Kitchen modernization
Floors	Flooring
Pipes and duct work	Wall-to-wall carpeting
	Fireplace





## BUSINESS USE OF HOME

*Form 8829; See also IRC Sec. 280A, IRS Pub. 587*

If a taxpayer has a qualified home office the business-use percentage of the expenses below are generally deductible on Form 8829:

- Mortgage interest.
- Real estate taxes.
- Casualty losses.
- Home repairs/maintenance.
- Rent.
- Utilities.
- House insurance.
- Security system.
- Other expenses such as garbage removal, snow plowing, etc.
- Depreciation.

The personal-use portion of mortgage interest, property taxes, and casualty losses (if otherwise deductible) is deducted on Schedule A. The personal-use portion of any other expenses is not deductible. Direct expenses that benefit only the business-use portion of the home are not allocated between business and personal use.

 **Note:** Lawn care/landscaping expenses are not deductible according to Prop. Reg. 1.280A-2(i)(3) and IRS Pub. 587. However, the Tax Court allowed deductions in *Hefti* (TC Memo 1988-22) where the taxpayer's clients regularly visited the taxpayer's home office and in *Neilson* [94 TC 1 (1990)] where the taxpayer was a daycare provider and the children receiving care used the lawn as a play area.

**Business use percentage** of the home is determined by any reasonable method, such as rooms used for business versus total rooms (if all comparable size) or percentage of floor space used for business versus total floor space [Prop. Reg. 1.280A-2(i)].

**Direct expenses** benefit only the business part of the home. Included are painting or repairs made to the specific area or room used only for business. 100% of direct expenses are generally deductible against business income.

**Indirect expenses** benefit both the business and personal parts of the home. Included are the upkeep and running of the entire home. The business percentage of indirect expenses are generally deductible against business income.

**Example:**

15% of Joe's home qualifies for the home office deduction. He paid \$600 to have his furnace repaired. Because the furnace benefits the entire home, only 15% of the repair cost is a deductible home office expense.

**Mortgage interest.** Include as a direct or indirect expense (on Form 8829, line 10) only the mortgage interest that would be deductible on Schedule A. If the amount of home mortgage interest deducted on Schedule A is limited, report any excess interest that qualifies as a direct or indirect expense on line 16. Do not include mortgage interest on a loan that did not benefit the home (for example, a home equity loan used to pay off credit card bills, buy a car, or pay tuition costs) on either line 10 or line 16.

**Real estate taxes.** Since the itemized deduction for state and local taxes is limited to \$10,000 per year, the amount entered on Form 8829, line 11, may not be the full amount of real estate taxes paid with regard to the business use of the home. The real estate taxes paid for business use of the home that exceed what can be reported on line 11 are reported on line 17 (PMTA 2019-001).

**Taxpayers claiming the standard deduction.** Enter all the home mortgage interest paid for loans used to buy, build, or substantially improve the home in column (b) of line 16. Enter all the real estate taxes paid on the home in column (b) of line 17.

**Example:**

Tyler uses 50% of his home for business purposes and itemizes his deductions. His property taxes were \$9,000 and his other state and local taxes were \$4,000. Tyler's personal taxes were \$8,500 ( $\$9,000 \times 50\% + \$4,000$ ). His home office taxes were \$4,500. Of that amount, \$1,500 ( $\$10,000 - \$8,500$ ) is deductible on line 11 of Form 8829 (not limited by income) and the remaining \$3,000 is deducted on line 17 of Form 8829 (limited by income).

