



# Maximizing Deductions: Car, Travel, and Home Office

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**Course #3143A**

**Taxes**

**2 Credit Hours**

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# MAXIMIZING DEDUCTIONS: CAR, TRAVEL, AND HOME OFFICE

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This course cover the ins and outs of maximizing business deductions. Information related to using your home as a business will be discussed in detail

## LEARNING ASSIGNMENTS AND OBJECTIVES

*As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.*

### SUBJECTS

#### Business Use of Your Home

Study the course materials from pages 1 to 58

Complete the review questions at the end of each chapter

Answer the exam questions 1 to 10

#### Objectives:

- Recognize the tax rules regarding the business use of a home.
- Identify how daycare facilities in a home qualify for different rules than other businesses

#### NOTICE

This course is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional advice and assumes no liability whatsoever in connection with its use. Since laws are constantly changing, and are subject to differing interpretations, we urge you to do additional research and consult appropriate experts before relying on the information contained in this course to render professional advice.

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## EXAM OUTLINE

- **TEST FORMAT:** The final exam for this course consists of 10 multiple-choice questions and is based specifically on the information covered in the course materials.
- **ACCESS FINAL EXAM:** Log in to your account and click Take Exam. A copy of the final exam is provided at the end of these course materials for your convenience, however you must submit your answers online to receive credit for the course.
- **LICENSE RENEWAL INFORMATION:** This course qualifies for 2 CPE hours.
- **PROCESSING:** You will receive the score for your final exam immediately after it is submitted. A score of 70% or better is required to pass.
- **CERTIFICATE OF COMPLETION:** Will be available in your account to view online or print. If you do not pass an exam, it can be retaken free of charge.

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# CHAPTER 1: BUSINESS USE OF YOUR HOME

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## Chapter Objectives

### After completing this chapter, you should be able to:

- Recognize the tax rules regarding the business use of a home.
- Identify how daycare facilities in a home qualify for different rules than other businesses.

## I. WHAT'S NEW/REMINDER

**Excess real estate taxes.** You cannot deduct more than \$10,000 (\$5,000 if married filing separate) of your total state and local taxes as an itemized deduction on Schedule A, including real estate taxes.

The amount that you can enter on the Worksheet To Figure the Deduction for Business Use of Your Home, line 7, may not be the full amount of real estate taxes you paid. The real estate taxes you paid for business use of the home that exceed what can be included on line 7 due to the limit on state and local taxes will be reported on new line 15.

**Employee expenses for business use of the home no longer allowed.** You can no longer claim any miscellaneous itemized deductions on Schedule A, including expenses for using your home as an employee. Miscellaneous itemized deductions are those deductions that would have been subject to the 2% of adjusted gross income limitation.

**Expired deduction for mortgage insurance premiums.** At the time this course went to print, the deduction for mortgage insurance premiums had expired. You cannot claim a deduction for mortgage insurance premiums for expenses paid or accrued after 2017. To find out if legislation extended this deduction so you can claim it on your 2018 return, go to [IRS.gov/Pub587](https://www.irs.gov/pub587).

**Simplified method for business use of home deduction.** The IRS provides a simplified method to figure your expenses for business use of your home. For more information, see *Using the Simplified Method* later.

## II. QUALIFYING FOR A DEDUCTION

Generally, you cannot deduct items related to your home, such as mortgage interest, real estate taxes, utilities, maintenance, rent, depreciation, or property insurance as business expenses. However, you may be able to deduct expenses related to the business use of part of your home if you meet specific requirements. Even then, the deductible amount of these types of expenses may be limited. Use this section and *Figure 7-1*, later, to decide if you can deduct expenses for the business use of your home.

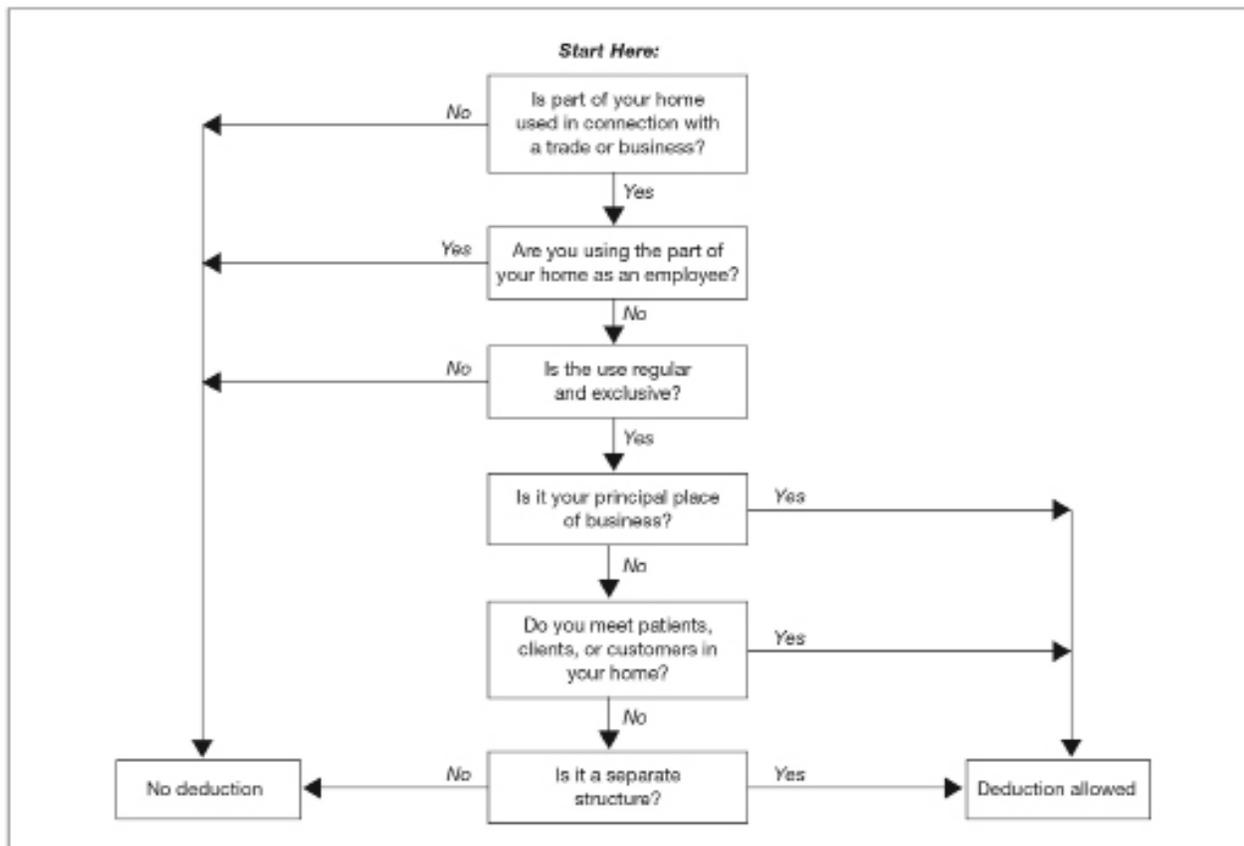
To qualify to deduct expenses for business use of your home, you must use part of your home:

- Exclusively and regularly as your principal place of business (defined later),

- Exclusively and regularly as a place where you meet or deal with patients, clients, or customers in the normal course of your trade or business,
- In the case of a separate structure which is not attached to your home, in connection with your trade or business,
- On a regular basis for certain storage use (see *Storage of inventory or product samples*, later),
- For rental use, or
- As a daycare facility (see *Daycare Facility*, later).

## FIGURE 7-1. CAN YOU DEDUCT BUSINESS USE OF THE HOME EXPENSES?

Do not use this chart if you use your home for the storage of inventory or product samples, or to operate a daycare facility. See *Exceptions to Exclusive Use*, earlier, and *Daycare Facility*, later.



### EXCLUSIVE USE

To qualify under the exclusive use test, you must use a specific area of your home only for your trade or business. The area used for business can be a room or other separately identifiable space. The space does not need to be marked off by a permanent partition.

You do not meet the requirements of the exclusive use test if you use the area in question both for business and for personal purposes.

### Example



You are an attorney and use a den in your home to write legal briefs and prepare clients' tax returns. Your family also uses the den for recreation. The den is not used exclusively in your trade or business, so you cannot claim a deduction for the business use of the den.

### Exceptions to Exclusive Use

You do not have to meet the exclusive use test if either of the following applies.

- You use the part of your home in question for the storage of inventory or product samples (discussed next).
- You use part of your home as a daycare facility, discussed later under *Daycare Facility*.

### Note



With the exception of these two uses, any portion of the home used for business purposes must meet the exclusive use test.

**Storage of inventory or product samples.** If you use part of your home for storage of inventory or product samples, you can deduct expenses for the business use of your home without meeting the exclusive use test. However, you must meet all the following tests.

- You sell products at wholesale or retail as your trade or business.
- You keep the inventory or product samples in your home for use in your trade or business.
- Your home is the only fixed location of your trade or business.
- You use the storage space on a regular basis.
- The space you use is an identifiably separate space suitable for storage.