



Business Use of Your Home

Course #3143D

Taxes

2 Credit Hours

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MAXIMIZING DEDUCTIONS: BUSINESS USE OF YOUR HOME

This course covers the tax rules regarding the business use of a home as well as identifying how daycare facilities in a home qualify for different rules than other businesses.

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 56

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

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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

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. REMINDER

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

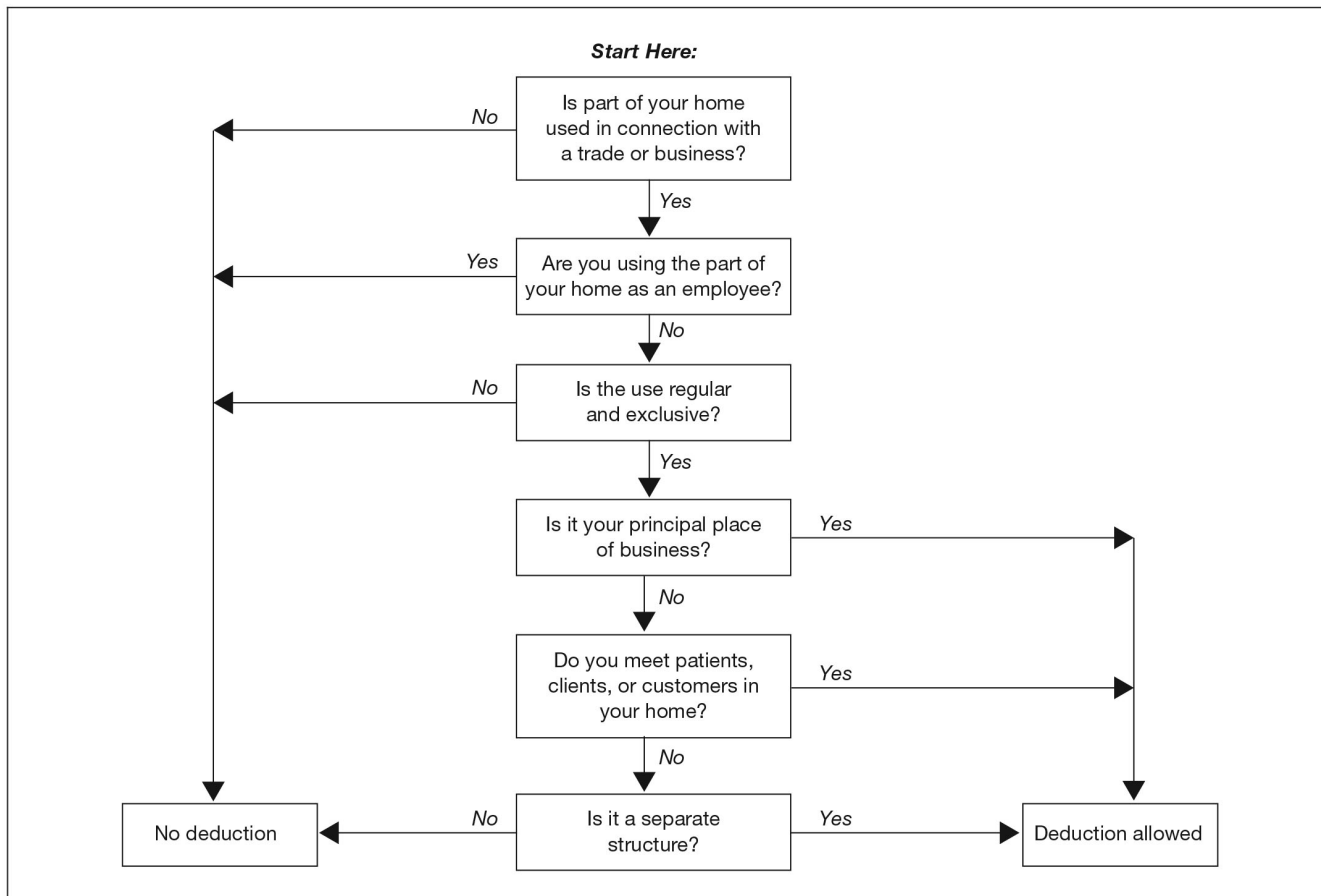
Generally, you cannot deduct items related to your home, such as mortgage interest, real estate taxes, utilities, maintenance, rent, depreciation, or property insurance as business expenses. However, you may be able to deduct expenses related to the business use of part of your home if you meet specific 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.