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The Internal Revenue Service today announced a simplified option that many owners of home-based businesses and some home-based workers may use to figure their deductions for the business use of their homes.

The new optional deduction, capped at \$1,500 per year based on \$5 a square foot for up to 300 square feet, will reduce the paperwork and recordkeeping burden on small businesses by an estimated 1.6 million hours annually.

The new option provides eligible taxpayers an easier path to claiming the home office deduction. Currently, they are generally required to fill out a 43-line form (Form 8829) often with complex calculations of allocated expenses, depreciation and carryovers of unused deductions. Taxpayers claiming the optional deduction will complete a significantly simplified form.

Though homeowners using the new option cannot depreciate the portion of their home used in a trade or business, they can claim allowable mortgage interest, real estate taxes and casualty losses on the home as itemized deductions on Schedule A. These deductions need not be allocated between personal and business use, as is required under the regular method.

Business expenses unrelated to the home, such as advertising, supplies and wages paid to employees are still fully deductible.

Current restrictions on the home office deduction, such as the requirement that a home office must be used regularly and exclusively for business and the limit tied to the income derived from the particular business, still apply under the new option.

The new simplified option is available starting with the 2013 return.