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Almost every form and publication has a page on IRS.gov with a friendly shortcut. For example, the Form 1040 page is at IRS.gov/Form1040; the Pub. 501 page is at IRS.gov/Pub501; the Form W-4 page is at IRS.gov/W4; and the Schedule A (Form 1040/SR) page is at IRS.gov/ScheduleA. If typing in a link above instead of clicking on it, be sure to type the link into the address bar of your browser, not a Search box.

If you wish, you can submit comments to the IRS about draft or final forms, instructions, or publications at IRS.gov/FormsComments. We cannot respond to all comments due to the high volume we receive and may not be able to consider many suggestions until the subsequent revision of the product.

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Department of the Treasury
Internal Revenue Service

Publication 587
Cat. No. 15154T

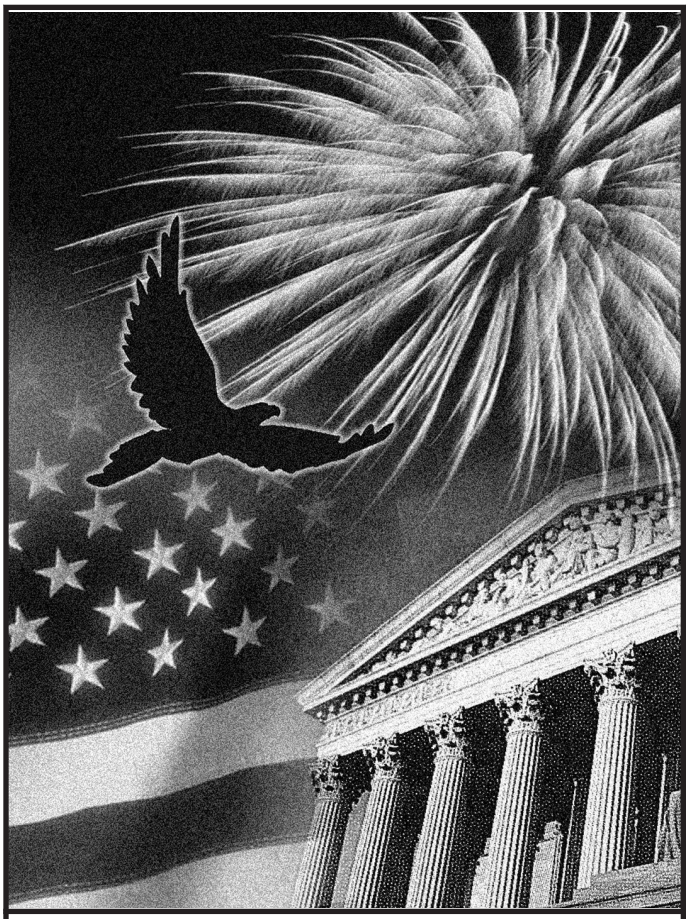
Business Use of Your Home

(Including Use by Daycare Providers)

DRAFT AS OF December 14, 2020

For use in preparing

2020 Returns



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Dec 11, 2020

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Future Developments

For the latest information about developments related to Pub. 587, such as legislation enacted after it was published, go to *IRS.gov/Pub587*.

Reminders

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* under *Figuring the Deduction*, later.

Mortgage insurance premiums. Recent legislation extended to 2019 (and retroactively to 2018) the deduction

for mortgage insurance premiums. See *Where To Deduct*, later in this publication, and the Instructions for Schedule A for more information.

If you are eligible to claim this deduction for tax year 2018 and/or 2019, you will need to file an amended return, Form 1040-X, to do so. See *IRS.gov/Form1040X* for more information about amending a tax return.

Photographs of missing children. The Internal Revenue Service is a proud partner with the *National Center for Missing & Exploited Children® (NCMEC)*. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 800-THE-LOST (800-843-5678) if you recognize a child.

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Introduction

The purpose of this publication is to provide information on figuring and claiming the deduction for business use of your home. The term "home" includes a house, apartment, condominium, mobile home, boat, or similar property which provides basic living accommodations. It also includes structures on the property, such as an unattached garage, studio, barn, or greenhouse. However, it does not include any part of your property used exclusively as a hotel, motel, inn, or similar establishment.

Qualifying for a Deduction gives the requirements for qualifying to deduct expenses for the business use of your home (including special rules for storing inventory or product samples). For special rules that apply to daycare providers, see *Daycare Facility*.

After you determine that you qualify for the deduction, *Figuring the Deduction* explains the expenses you can deduct using either your actual expenses or the simplified method. The simplified method is an alternative to calculating and substantiating actual expenses.

Where To Deduct explains where a self-employed person or partner will report the deduction.

This publication also includes information on the following.

- Selling a home that was used partly for business.
- Deducting expenses for furniture and equipment used in your business.
- Records you should keep.

Finally, this publication contains worksheets to help you figure the amount of your deduction if you use your home in your farming business and you are filing Schedule F (Form 1040) or you are a partner and the use of your home resulted in unreimbursed ordinary and necessary expenses that are trade or business expenses under section 162 and that you are required to pay under the partnership agreement. If you used your home for business and you are filing Schedule C (Form 1040), you will use either Form 8829 or the Simplified Method Worksheet in your Instructions for Schedule C.

The rules in this publication apply to individuals.

If you need information on deductions for renting out your property, see Pub. 527, Residential Rental Property.

Comments and suggestions. We welcome your comments about this publication and suggestions for future editions.

You can send us comments through *IRS.gov/FormComments*. Or, you can write to the Internal Revenue Service, Tax Forms and Publications, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224.

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Useful Items

You may want to see:

Publication

- ❑ **523** Selling Your Home
- ❑ **551** Basis of Assets
- ❑ **583** Starting a Business and Keeping Records
- ❑ **946** How To Depreciate Property

Form (and Instructions)

- ❑ **Schedule C (Form 1040)** Profit or Loss From Business
- ❑ **4562** Depreciation and Amortization
- ❑ **8829** Expenses for Business Use of Your Home

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 A 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 (see *Principal Place of Business*, 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 (see Pub. 527); or
- As a daycare facility (see *Daycare Facility*, later).

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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 the part of your home in question 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 a separately identifiable space suitable for storage.

Example. Your home is the only fixed location of your business of selling mechanics' tools at retail. You regularly use half of your basement for storage of inventory and product samples. You sometimes use the area for personal purposes. The expenses for the storage space are deductible even though you do not use this part of your basement exclusively for business.

Regular Use

To qualify under the regular use test, you must use a specific area of your home for business on a regular basis. Incidental or occasional business use is not regular use. You must consider all facts and circumstances in determining whether your use is on a regular basis.

Trade or Business Use

To qualify under the trade-or-business-use test, you must use part of your home in connection with a trade or business. If you use your home for a profit-seeking activity that is not a trade or business, you cannot take a deduction for its business use.

Example. You use part of your home exclusively and regularly to read financial periodicals and reports, clip bond coupons, and carry out similar activities related to your own investments. You do not make investments as a broker or dealer. So, your activities are not part of a trade or business and you cannot take a deduction for the business use of your home.

Principal Place of Business

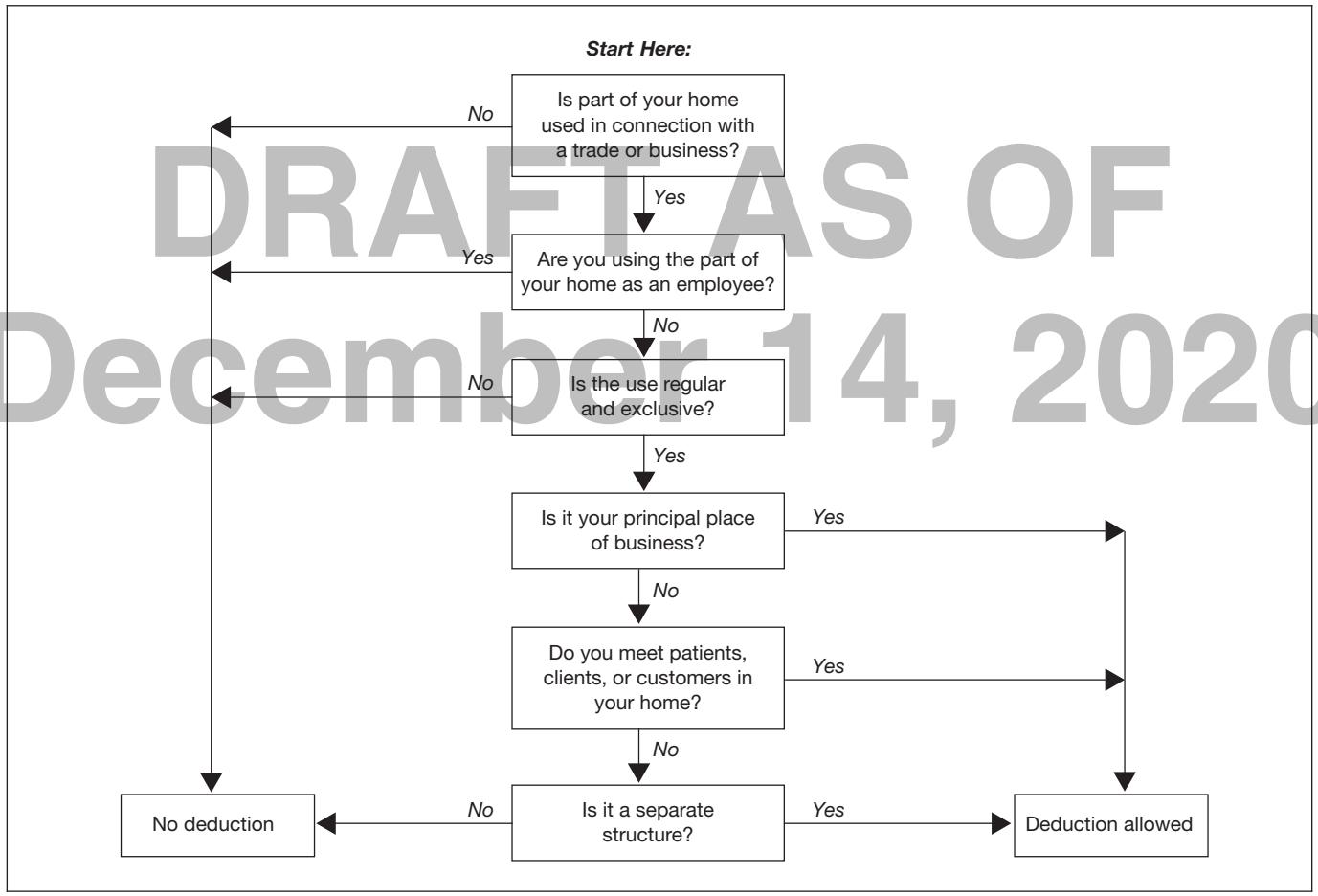
You can have more than one business location, including your home, for a single trade or business. To qualify to deduct the expenses for the business use of your home under the principal place of business test, your home must be your principal place of business for that trade or business. To determine whether your home is your principal place of business, you must consider:

- The relative importance of the activities performed at each place where you conduct business, and
- The amount of time spent at each place where you conduct business.

Your home office will qualify as your principal place of business if you meet the following requirements.

- You use it exclusively and regularly for administrative or management activities of your trade or business.

Figure A. **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.



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- You have no other fixed location where you conduct substantial administrative or management activities of your trade or business.

If, after considering your business locations, your home cannot be identified as your principal place of business, you cannot deduct home office expenses. However, see the later discussions under *Place To Meet Patients, Clients, or Customers* and *Separate Structure* for other ways to qualify to deduct home office expenses.

Administrative or management activities. There are many activities that are administrative or managerial in nature. The following are a few examples.

- Billing customers, clients, or patients.
- Keeping books and records.
- Ordering supplies.
- Setting up appointments.
- Forwarding orders or writing reports.

Administrative or management activities performed at other locations. The following activities performed by you or others will not disqualify your home office from being your principal place of business.

- You have others conduct your administrative or management activities at locations other than your home. (For example, another company does your billing from its place of business.)
- You conduct administrative or management activities at places that are not fixed locations of your business, such as in a car or a hotel room.
- You occasionally conduct minimal administrative or management activities at a fixed location outside your home.
- You conduct substantial nonadministrative or nonmanagement business activities at a fixed location outside your home. (For example, you meet with or provide services to customers, clients, or patients at a fixed location of the business outside your home.)
- You have suitable space to conduct administrative or management activities outside your home, but choose to use your home office for those activities instead.

Example 1. John is a self-employed plumber. Most of John's time is spent at customers' homes and offices installing and repairing plumbing. He has a small office in

his home that he uses exclusively and regularly for the administrative or management activities of his business, such as phoning customers, ordering supplies, and keeping his books.

John writes up estimates and records of work completed at his customers' premises. He does not conduct any substantial administrative or management activities at any fixed location other than his home office. John does not do his own billing. He uses a local bookkeeping service to bill his customers.

John's home office qualifies as his principal place of business for deducting expenses for its use. He uses the home office for the administrative or managerial activities of his plumbing business and he has no other fixed location where he conducts these administrative or managerial activities. His choice to have his billing done by another company does not disqualify his home office from being his principal place of business. He meets all the qualifications, including principal place of business, so he can deduct expenses (subject to certain limitations, explained later) for the business use of his home.

Example 2. Pamela is a self-employed sales representative for several different product lines. She has an office in her home that she uses exclusively and regularly to set up appointments and write up orders and other reports for the companies whose products she sells. She occasionally writes up orders and sets up appointments from her hotel room when she is away on business overnight.

Pamela's business is selling products to customers at various locations throughout her territory. To make these sales, she regularly visits customers to explain the available products and take orders.

Pamela's home office qualifies as her principal place of business for deducting expenses for its use. She conducts administrative or management activities there and she has no other fixed location where she conducts substantial administrative or management activities. The fact that she conducts some administrative or management activities in her hotel room (not a fixed location) does not disqualify her home office from being her principal place of business. She meets all the qualifications, including principal place of business, so she can deduct expenses (subject to certain limitations, explained later) for the business use of her home.

Example 3. Paul is a self-employed anesthesiologist. He spends the majority of his time administering anesthesia and postoperative care in three local hospitals. One of the hospitals provides him with a small shared office where he could conduct administrative or management activities.

Paul very rarely uses the office the hospital provides. He uses a room in his home that he has converted to an office. He uses this room exclusively and regularly to conduct all the following activities.

- Contacting patients, surgeons, and hospitals regarding scheduling.
- Preparing for treatments and presentations.
- Maintaining billing records and patient logs.
- Satisfying continuing medical education requirements.
- Reading medical journals and books.

Paul's home office qualifies as his principal place of business for deducting expenses for its use. He conducts administrative or management activities for his business as an anesthesiologist there and he has no other fixed location where he conducts substantial administrative or management activities for this business. His choice to use his home office instead of the one provided by the hospital does not disqualify his home office from being his principal place of business. His performance of substantial nonadministrative or nonmanagement activities at fixed locations outside his home also does not disqualify his home office from being his principal place of business. He meets all the qualifications, including principal place of business, so he can deduct expenses (subject to certain limitations, explained later) for the business use of his home.

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More Than One Trade or Business

The same home office can be the principal place of business for two or more separate business activities. Whether your home office is the principal place of business for more than one business activity must be determined separately for each of your trade or business activities. You must use the home office exclusively and regularly for one or more of the following purposes.

- As the principal place of business for one or more of your trades or businesses.
- As a place to meet or deal with patients, clients, or customers in the normal course of one or more of your trades or businesses.
- If your home office is a separate structure, in connection with one or more of your trades or businesses.

You can use your home office for more than one trade or business activity, but you cannot use it for any activities that are not related to a trade or business.

Place To Meet Patients, Clients, or Customers

If you meet or deal with patients, clients, or customers in your home in the normal course of your business, even though you also carry on business at another location, you can deduct your expenses for the part of your home used exclusively and regularly for business if you meet both the following tests.

- You physically meet with patients, clients, or customers on your premises.
- Their use of your home is substantial and integral to the conduct of your business.

Doctors, dentists, attorneys, and other professionals who maintain offices in their homes will generally meet this requirement.

Using your home for occasional meetings and telephone calls will not qualify you to deduct expenses for the business use of your home.

The part of your home you use exclusively and regularly to meet patients, clients, or customers does not have to be your principal place of business.

Example. June Quill, a self-employed attorney, works 3 days a week in her city office. She works 2 days a week in her home office used only for business. She regularly meets clients there. Her home office qualifies for a business deduction because she meets clients there in the normal course of her business.

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Separate Structure

You can deduct expenses for a separate free-standing structure, such as a studio, workshop, garage, or barn, if you use it exclusively and regularly for your business. The structure does not have to be your principal place of business or a place where you meet patients, clients, or customers.

Example. John Berry operates a floral shop in town. He grows the plants for his shop in a greenhouse behind his home. He uses the greenhouse exclusively and regularly in his business, so he can deduct the expenses for its use (subject to certain limitations, explained later).

Figuring the Deduction

After you determine that you meet the tests under *Qualifying for a Deduction*, you can begin to figure how much you can deduct. When figuring the amount you can deduct for the business use of your home, you will use either your actual expenses or a simplified method.

Electing to use the simplified method. The simplified method is an alternative to the calculation, allocation, and substantiation of actual expenses. You choose whether or not to figure your deduction using the simplified method each tax year. See *Using the Simplified Method*, later.

Using Actual Expenses

If you do not or cannot elect to use the simplified method for a home, you will figure your deduction for that home using your actual expenses. You will also need to figure the percentage of your home used for business and the limit on the deduction.

If you are a partner or you use your home in your farming business and you file Schedule F (Form 1040), you can use the Worksheet To Figure the Deduction for Business Use of Your Home, near the end of this publication, to help you figure your deduction. If you use your home in a trade or business and you file Schedule C (Form 1040), you will use Form 8829 to figure your deduction.

Part-year use. You cannot deduct expenses for the business use of your home incurred during any part of the year you did not use your home for business purposes. For example, if you begin using part of your home for business on July 1, and you meet all the tests from that date until the end of the year, consider only your expenses for the last half of the year in figuring your allowable deduction.

Expenses related to tax-exempt income. Generally, you cannot deduct expenses that are related to tax-exempt allowances. However, if you receive a tax-exempt parsonage allowance or a tax-exempt military allowance, your expenses for mortgage interest, mortgage insurance premiums, and real estate taxes are deductible under the normal rules. No deduction is allowed for other expenses related to the tax-exempt allowance.

If your housing is provided free of charge and the value of the housing is tax exempt, you cannot deduct the rental value of any portion of the housing.

Expenses related to a forgiven Paycheck Protection Program (PPP) loan. If you received a PPP loan under section 7(a)(36) of the Small Business Act, no deduction is allowed for an expense if the payment of the expense results in forgiveness of all or part of the loan and the income associated with the forgiveness is excluded from gross income. Expenses that may result in forgiveness of the loan include:

- Payroll costs.
- Certain employee benefits relating to healthcare.
- Interest on a mortgage.
- Rent.
- Utilities.
- Interest on any other existing debt.

Reduce the amounts on these items by the amounts you can't deduct as a result of a forgiven PPP loan.

For more information, see Notice 2020-32. Notice 2020-32 is available at *IRS.gov/irb/2020-21_IRB#NOT-2020-32.*

Actual Expenses

You must divide the expenses of operating your home between personal and business use. The part of a home operating expense you can use to figure your deduction depends on both of the following.

- Whether the expense is direct, indirect, or unrelated.
- The percentage of your home used for business.

Table 1 describes the types of expenses you may have and the extent to which they are deductible.

Table 1. **Types of Expenses**

Expense	Description	Deductibility
Direct	Expenses only for the business part of your home.	Deductible in full.*
	Examples: Painting or repairs only in the area used for business.	Exception: May be only partially deductible in a daycare facility. See *Daycare Facility*, later.
Indirect	Expenses for keeping up and running your entire home.	Deductible based on the percentage of your home used for business.*
	Examples: Insurance, utilities, and general repairs.	
Unrelated	Expenses only for the parts of your home not used for business.	Not deductible.
	Examples: Lawn care or painting a room not used for business.	

*Subject to the deduction limit, discussed later.

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TIP *Form 8829 and the Worksheet To Figure the Deduction for Business Use of Your Home have separate columns for direct and indirect expenses.*

Certain expenses are deductible to the extent they would have been deductible as an itemized deduction on your Schedule A or, if claiming the standard deduction, would have increased your standard deduction had you not used your home for business. If the expense is indirect, use the business percentage of these expenses to figure how much to include in your total business-use-of-the-home deduction. If you are itemizing your deductions on Schedule A (Form 1040), these expenses include the following.

- Real estate taxes.
- Home mortgage interest.
- Mortgage insurance premiums.
- Casualty losses attributable to a federally declared disaster.

If you are claiming the standard deduction, these expenses only include net qualified disaster losses that increase your standard deduction.

See the *Instructions for the Worksheet To Figure the Deduction for Business Use of Your Home*, later in this publication, or the Instructions for Form 8829 for more information about figuring and deducting the business part of these otherwise allowable expenses. For more information about deducting real estate taxes, see Pub. 530, Tax Information for Homeowners. For more information about deducting home mortgage interest and mortgage insurance premiums, see Pub. 936, Home Mortgage Interest Deduction. For more information about deducting casualty losses, see Pub. 547, Casualties, Disasters, and Thefts.

Other expenses are deductible only if you use your home for business. If the expense is indirect, use the business percentage of these expenses to figure how much to include in your total business-use-of-the-home deduction. These expenses generally include (but are not limited to) the following.

- Casualty losses not attributable to a federally declared disaster.
- Depreciation (discussed under *Depreciating Your Home*, later).
- Insurance.
- Rent paid for the use of property you do not own but use in your trade or business.
- Repairs.
- Security system.
- Utilities and services. (But see *Telephone*, later, for different rules that apply to telephone expenses.)

Insurance. You can deduct the cost of insurance that covers the business part of your home. However, if your insurance premium gives you coverage for a period that extends past the end of your tax year, you can deduct only the business percentage of the part of the premium that gives you coverage for your tax year. You can deduct the business percentage of the part that applies to the following year in that year.

Rent. If you rent the home you occupy and meet the requirements for business use of the home, you can deduct part of the rent you pay. To figure your deduction, multiply your rent payments by the percentage of your home used for business.

If you own your home, you cannot deduct the fair rental value of your home. However, see *Depreciating Your Home*, later.

Repairs. The cost of repairs that relate to your business, including labor (other than your own labor), is a deductible expense. For example, a furnace repair benefits the entire home. If you use 10% of your home for business, you can deduct 10% of the cost of the furnace repair.

Repairs keep your home in good working order over its useful life. Examples of common repairs are patching walls and floors, painting, wallpapering, repairing roofs and gutters, and mending leaks. However, repairs are sometimes treated as a permanent improvement and are not deductible. See *Permanent improvements*, later, under *Depreciating Your Home*.

Security system. If you install a security system that protects all the doors and windows in your home, you can deduct the business part of the expenses you incur to maintain and monitor the system. You can also take a depreciation deduction for the part of the cost of the security system relating to the business use of your home.

Utilities and services. Expenses for utilities and services, such as electricity, gas, trash removal, and cleaning services, are primarily personal expenses. However, if you use part of your home for business, you can deduct the business part of these expenses. Generally, the business percentage for utilities is the same as the percentage of your home used for business.

Telephone. The basic local telephone service charge, including taxes, for the first telephone landline into your home is a nondeductible personal expense. However, charges for business long-distance phone calls on that line, as well as the cost of a second line into your home used exclusively for business, are deductible business expenses. Do not include these expenses as a cost of using your home for business. Deduct these charges separately on the appropriate form or schedule. For example, if you file Schedule C (Form 1040), deduct these expenses on line 25, Utilities (instead of line 30, Expenses for business use of your home).

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Depreciating Your Home

If you own your home and qualify to deduct expenses for its business use, you can claim a deduction for depreciation. Depreciation is an allowance for the wear and tear on the part of your home used for business. You cannot depreciate the cost or value of the land. You recover its cost when you sell or otherwise dispose of the property.

Before you figure your depreciation deduction, you need to know the following information.

- The month and year you started using your home for business.
- The adjusted basis and fair market value of your home (excluding land) at the time you began using it for business.
- The cost of any improvements before and after you began using the property for business.
- The percentage of your home used for business. See *Business Percentage*, later.

Adjusted basis defined. The adjusted basis of your home is generally its cost, plus the cost of any permanent improvements you made to it, minus any casualty losses or depreciation deducted in earlier tax years. For a discussion of adjusted basis, see Pub. 551, Basis of Assets.

Permanent improvements. A permanent improvement increases the value of property, adds to its life, or gives it a new or different use. Examples of improvements are replacing electric wiring or plumbing, adding a new roof or addition, paneling, or remodeling.

You must carefully distinguish between repairs and improvements. See *Repairs*, earlier, under *Actual Expenses*. You must also keep accurate records of these expenses. These records will help you decide whether an expense is a deductible or a capital (added to the basis) expense. However, if you make repairs as part of an extensive remodeling or restoration of your home, the entire job is an improvement.

Example. You buy an older home and fix up two rooms as a beauty salon. You patch the plaster on the ceilings and walls, paint, repair the floor, install an outside door, and install new wiring, plumbing, and other equipment. Normally, the patching, painting, and floor work are repairs and the other expenses are permanent improvements. However, because the work gives your property a new use, the entire remodeling job is a permanent improvement and its cost is added to the basis of the property. You cannot deduct any portion of it as a repair expense.

Adjusting for depreciation deducted in earlier years. Decrease the basis of your property by the depreciation you deducted, or could have deducted, on your tax returns under the method of depreciation you properly selected. If you deducted less depreciation than you could have under the method you selected, decrease the basis by the amount you could have deducted under that method. If you did not deduct any depreciation, decrease the basis by the amount you could have deducted.

If you deducted more depreciation than you should have, decrease your basis by the amount you should have deducted, plus the part of the excess depreciation you deducted that actually decreased your tax liability for any year.

If you deducted the incorrect amount of depreciation, see Pub. 946, How To Depreciate Property.

Fair market value defined. The fair market value of your home is the price at which the property would change hands between a buyer and a seller, neither having to buy or sell, and both having reasonable knowledge of all necessary facts. Sales of similar property, on or about the date you begin using your home for business, may be helpful in determining the property's fair market value.

Figuring the depreciation deduction for the current year. If you began using your home for business before 2020, continue to use the same depreciation method you used in past tax years. However, if you figured your deduction for business use of the home using the simplified method in a prior year, you will need to use the optional depreciation table for modified accelerated cost recovery system (MACRS) property. See Pub. 946 for the optional depreciation tables. For more information about the simplified method, see Revenue Procedure 2013-13, 2013-06 I.R.B. 478, available at *IRS.gov/irb/2013-06_IRB#RP-2013-13*.

If you began using your home for business for the first time in 2020, depreciate the business part as nonresidential real property under MACRS. Under MACRS, nonresidential real property is depreciated using the straight line method over 39 years. For more information on MACRS and other methods of depreciation, see Pub. 946.

To figure the depreciation deduction, you must first figure the part of the cost of your home that can be depreciated (depreciable basis). The depreciable basis is figured by multiplying the percentage of your home used for business by the smaller of the following.

- The adjusted basis of your home (excluding land) on the date you began using your home for business.

- The fair market value of your home (excluding land) on the date you began using your home for business.

Depreciation table. If 2020 was the first year you used your home for business, you can figure your 2020 depreciation for the business part of your home by using the appropriate percentage from the following table.

Table 2. **MACRS Percentage Table for 39-Year Nonresidential Real Property**

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Month First Used for Business	Percentage To Use
1	2.461%
2	2.247%
3	2.033%
4	1.819%
5	1.605%
6	1.391%
7	1.177%
8	0.963%
9	0.749%
10	0.535%
11	0.321%
12	0.107%

Multiply the depreciable basis of the business part of your home by the percentage from the table for the first month you use your home for business. See Pub. 946 for the percentages for the remaining tax years of the recovery period.

Example. In May, George began to use one room in his home exclusively and regularly to meet clients. This room is 8% of the square footage of his home. He bought the home in 2008 for $125,000. He determined from his property tax records that his adjusted basis in the house (exclusive of land) is $115,000. In May, the house had a fair market value of $165,000. He multiplies his adjusted basis of $115,000 (which is less than the fair market value) by 8%. The result is $9,200, his depreciable basis for the business part of the house.

George files his return based on the calendar year. May is the fifth month of his tax year. He multiplies his depreciable basis of $9,200 by 1.605% (0.01605), the percentage from the table for the fifth month. His depreciation deduction is $147.66.

Depreciating permanent improvements. Add the costs of permanent improvements made before you began using your home for business to the basis of your property. Depreciate these costs as part of the cost of your home as explained earlier. The costs of improvements made after you begin using your home for business (that affect the business part of your home, such as a new roof) are depreciated separately. Multiply the cost of the improvement by the business-use percentage and depreciate the result over the recovery period that would apply to your home if you began using it for business at the same time as the improvement. For improvements made this year, the recovery period is 39 years. For the percentage to use for the first year, see Table 2. For more information on recovery periods, see Pub. 946.

Business Percentage

To find the business percentage, compare the size of the part of your home that you use for business to your whole house. Use the resulting percentage to figure the business part of the expenses for operating your entire home.

You can use any reasonable method to determine the business percentage. The following are two commonly used methods for figuring the percentage.

1. Divide the area (length multiplied by the width) used for business by the total area of your home.
2. If the rooms in your home are all about the same size, you can divide the number of rooms used for business by the total number of rooms in your home.

Example 1.

- Your office is 240 square feet (12 feet × 20 feet).
- Your home is 1,200 square feet.
- Your office is 20% (240 ÷ 1,200) of the total area of your home.
- Your business percentage is 20%.

Example 2.

- You use one room in your home for business.
- Your home has 10 rooms, all about equal size.
- Your office is 10% (1 ÷ 10) of the total area of your home.
- Your business percentage is 10%.

TIP *Use lines 1–7 of Form 8829, or lines 1–3 on the Worksheet To Figure the Deduction for Business Use of Your Home (near the end of this publication) to figure your business percentage.*

Deduction Limit

If your gross income from the business use of your home equals or exceeds your total business expenses (including depreciation), you can deduct all your business expenses related to the use of your home.

If your gross income from the business use of your home is less than your total business expenses, your deduction for certain expenses for the business use of your home is limited.

Your deduction of otherwise nondeductible expenses, such as insurance, utilities, and depreciation of your home (with depreciation of your home taken last), that are allocable to the business, is limited to the gross income from the business use of your home minus the sum of the following.

1. The business part of expenses you could deduct even if you did not use your home for business (such as mortgage interest, mortgage insurance premiums, real estate taxes, and casualty losses attributable to a federally declared disaster if you itemize deductions on Schedule A (Form 1040) or net qualified disaster losses if you claim the standard deduction).
2. The business expenses that relate to the business activity in the home (for example, business phone, supplies, and depreciation on equipment), but not to the use of the home itself.

If you are self-employed, do not include in (2) above your deduction for one-half of your self-employment tax.

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Carryover of unallowed expenses. If your business expenses related to the home are greater than the current year's limit, you can carry over the excess to the next year in which you use actual expenses. They are subject to the deduction limit for that year, whether or not you live in the same home during that year.

Figuring the deduction limit and carryover. If you are a partner or you file Schedule F (Form 1040), use the Worksheet To Figure the Deduction for Business Use of Your Home, near the end of this publication. If you file Schedule C (Form 1040), figure your deduction limit and carryover on Form 8829.

Example. You meet the requirements for deducting expenses for the business use of your home. You use 20% of your home for business. You are itemizing your deductions on Schedule A (Form 1040) and your home mortgage interest and total state and local taxes would not be limited on your Schedule A if you had not used your home for business. In 2020, your business expenses and the expenses for the business use of your home are deducted from your gross income in the following order.

Gross income from business	$6,000
Minus:	
Deductible mortgage interest and real estate taxes (20%)	3,000
Business expenses not related to the use of your home (100%) (business phone, supplies, and depreciation on equipment)	2,000
Deduction limit	$1,000
Minus other expenses allocable to business use of home:	
Maintenance, insurance, and utilities (20%)	800
Depreciation allowed (20% = $1,600 allowable, but subject to balance of deduction limit)	200
Other expenses up to the deduction limit	$1,000
Depreciation carryover to 2020 ($1,600 – $200) (subject to deduction limit in 2020)	$1,400

You can deduct all of the business part of your deductible mortgage interest and real estate taxes ($3,000). You can also deduct all of your business expenses not related to the use of your home ($2,000). Additionally, you can deduct all of the business part of your expenses for maintenance, insurance, and utilities, because the total ($800) is less than the $1,000 deduction limit. Your deduction for depreciation for the business use of your home is limited to $200 ($1,000 minus $800) because of the deduction limit. You can carry over the $1,400 balance and add it to your depreciation for 2020, subject to your deduction limit in 2020.

More than one place of business. If part of the gross income from your trade or business is from the business use of part of your home and part is from a place other than your home, you must determine the part of your gross income from the business use of your home before you figure the deduction limit. In making this determination, consider the time you spend at each location, the business investment in each location, and any other relevant facts and circumstances.

TIP *If your home office qualifies as your principal place of business, you can deduct your daily transportation costs between your home and another work location in the same trade or business. For more information on transportation costs, see Pub. 463, Travel, Gift, and Car Expenses.*

Using the Simplified Method

The simplified method is an alternative to the calculation, allocation, and substantiation of actual expenses. In most cases, you will figure your deduction by multiplying $5, the prescribed rate, by the area of your home used for a qualified business use. The area you use to figure your deduction is limited to 300 square feet. See *Simplified Amount*, later, for information about figuring the amount of the deduction.

For more information about the simplified method, see Revenue Procedure 2013-13, 2013-06 I.R.B. 478, available at *IRS.gov/irb/2013-06_IRB#RP-2013-13*.

Actual expenses and depreciation of your home. If you elect to use the simplified method, you cannot deduct any actual expenses for the business except for business expenses that are not related to the use of the home. You also cannot deduct any depreciation (including any additional first-year depreciation) or section 179 expense for the portion of the home that is used for a qualified business use. The depreciation deduction allowable for that portion of the home is deemed to be zero for a year you use the simplified method. If you figure your deduction for business use of the home using actual expenses in a subsequent year, you will have to use the appropriate optional depreciation table for MACRS to figure your depreciation.

More information. For more information about claiming depreciation in a subsequent year, see Revenue Procedure 2013-13, 2013-06 I.R.B. 478, available at *IRS.gov/irb/2013-06_IRB#RP-2013-13*. See Pub. 946 for the optional depreciation tables.

TIP *Although you cannot deduct any depreciation or section 179 expense for the portion of your home used for a qualified business use, you may still claim depreciation or the section 179 expense deduction on other assets used in the business (for example, furniture and equipment).*

Expenses deductible without regard to business use. When using the simplified method, treat as personal expenses your mortgage interest, real estate taxes, and casualty losses. If you also rent part of your home, you must still allocate these expenses between rental use and personal use (for this purpose, personal use includes business use reported using the simplified method).

No deduction of carryover of actual expenses. If you used actual expenses to figure your deduction for business use of the home in a prior year and your deduction was limited, you cannot deduct the disallowed amount carried over from the prior year during a year you figure your deduction using the simplified method. Instead, you will continue to carry over the disallowed amount to the next year that you use actual expenses to figure your deduction.

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Electing the Simplified Method

You choose whether or not to figure your deduction using the simplified method each tax year. Make the election for a home by using the simplified method to figure the deduction for the qualified business use of that home on a timely filed, original federal income tax return. An election for a tax year, once made, is irrevocable. A change from using the simplified method in one year to actual expenses in a succeeding tax year, or vice versa, is not a change in method of accounting and does not require the consent of the Commissioner.

Shared use. If you share your home with someone else who also uses the home in a business that qualifies for this deduction, each of you makes your own election.

More than one qualified business use. If you conduct more than one business that qualifies for this deduction in your home, your election to use the simplified method applies to all your qualified business uses of that home.

More than one home. If you used more than one home in your business during the year (for example, you moved during the year), you can elect to use the simplified method for only one of the homes. You must figure the deduction for any other home using actual expenses.

Simplified Amount

Your deduction for the qualified business use of a home is the sum of each amount you figure for a separate qualified business use of your home. To figure your deduction for the business use of a home using the simplified method, you will need to know the following information for each qualified business use of the home.

- The allowable area of your home used in conducting the business. If you did not conduct the business for the entire year in the home or the area changed during the year, you will need to know the allowable area you used and the number of days you conducted the business for each month.
- The gross income from the business use of your home.
- The amount of the business expenses that are not related to the use of your home.
- If the qualified business use is for a daycare facility that uses space in your home on a regular (but not exclusive) basis, you will need to know the percentage of time that part of your home is used for daycare.

To figure the amount you can deduct for qualified business use of your home using the simplified method, follow these three steps.

1. Multiply the allowable area by $5 (or less than $5 if the qualified business use is for a daycare that uses space in your home on a regular, but not exclusive, basis). See *Allowable area* and *Space used regularly for daycare*, later.
2. Subtract the expenses from the business that are not related to the use of the home from the gross income related to the business use of the home. If these expenses are greater than the gross income from the business use of the home, then you cannot take a deduction for this business use of the home. See *Gross income limitation*, later.
3. Take the smaller of the amounts from (1) and (2). This is the amount you can deduct for this qualified business use of your home using the simplified method.

If you are a partner or you use your home in your farming business and file Schedule F (Form 1040), you can use the Simplified Method Worksheet, near the end of this publication, to help you figure your deduction. If you use your home in a trade or business and you file Schedule C (Form 1040), you will use the Simplified Method Worksheet in your Instructions for Schedule C to figure your deduction.

Allowable area. In most cases, the allowable area is the smaller of the actual area (in square feet) of your home used in conducting the business and 300 square feet. Your allowable area may be smaller if you conducted the business as a qualified joint venture with your spouse, the area used by the business was shared with another qualified business use, you used the home for the business for only part of the year, or the area used by the business changed during the year. You can use the Area Adjustment Worksheet (for simplified method), near the end of this publication, to help you figure your allowable area for a qualified business use.

Area used by a qualified joint venture. If the qualified business use of the home is also a qualified joint venture, you and your spouse will figure the deduction for the business use separately. Split the actual area used in conducting business between you and your spouse in the same manner you split your other tax attributes. Then, each spouse will figure the allowable area separately. For more information about qualified joint ventures, see *Qualified Joint Venture* in the Instructions for Schedule C.

Shared use. If you share your home with someone else who uses the home to conduct business that also qualifies for this deduction, you may not include the same square feet to figure your deduction as the other person. You must allocate the shared space between you and the other person in a reasonable manner.

Example. Kristen and Lindsey are roommates. Kristen uses 300 square feet of their home for a qualified business use. Lindsey uses 200 square feet of their home for a separate qualified business use. The qualified business uses share 100 square feet. In addition to the portion that they do not share, Kristen and Lindsey can both claim 50 of the 100 square feet or divide the 100 square feet between them in any reasonable manner. If divided evenly, Kristen could claim 250 square feet using the simplified method and Lindsey could claim 150 square feet.

More than one qualified business use. If you conduct more than one business qualifying for the deduction, you are limited to a maximum of 300 square feet for all of the businesses. Allocate the actual square footage used (up to the maximum of 300 square feet) among your qualified business uses in a reasonable manner. However, do not allocate more square feet to a qualified business use than you actually use for that business.

Rental use. The simplified method does not apply to rental use. A rental use that qualifies for the deduction must be figured using actual expenses. If the rental use and a qualified business use share the same area, you will have to allocate the actual area used between the two uses. You cannot use the same area to figure a deduction for the qualified business use as you are using to figure the deduction for the rental use.

Part-year use or area changes (for simplified method only). If your qualified business use was for a portion of the year (for example, a seasonal business, a business that begins during the year, or you moved during the year) or you changed the square footage of your qualified business use, your deduction is limited to the average monthly allowable square footage. You calculate the average monthly allowable square footage by adding the amount of allowable square feet you used in each month and dividing the sum by 12. When determining the average monthly allowable square footage, you cannot take more than 300 square feet into account for any 1 month. Additionally, if your qualified business use was less than 15 days in a month, you must use -0- for that month.

Example 1. Andy files his federal income tax return on a calendar year basis. On July 20, he began using 420 square feet of his home for a qualified business use. He continued to use the 420 square feet until the end of the year. His average monthly allowable square footage is 125 square feet, which is figured using 300 square feet for each month, August through December, divided by the number of months in the year ((0 + 0 + 0 + 0 + 0 + 0 + 0 + 300 + 300 + 300 + 300 + 300)/12).

Example 2. Amy files her federal income tax return on a calendar year basis. On April 20, she began using 100 square feet of her home for a qualified business use. On August 5, she expanded the area of her qualified use to 330 square feet. Amy continued to use the 330 square feet until the end of the year. Her average monthly allowable square footage is 150 square feet, which is figured using 100 square feet for May through July and 300 square feet for August through December divided by the number of months in the year ((0 + 0 + 0 + 0 + 100 + 100 +100 + 300 + 300 + 300 + 300 + 300)/12).

Example 3. Donna files her federal income tax return on a calendar year basis. From January 1 through July 16 she used 300 square feet of her home for a qualified business use. On July 17, Donna moved to a new home and immediately began using 200 square feet for the same qualified business use. While preparing her tax return, Donna decided to use the simplified method to deduct her qualified business use of the first home and files a Form 8829 to deduct her qualified business use of the second home. Her average monthly allowable square footage is 175 square feet, which is figured using 300 square feet for January through July divided by the number of months in the year ((300 + 300 + 300 + 300 + 300 + 300 + 300 + 0 + 0 + 0 + 0 + 0)/12).

CAUTION *If you moved during the year, your average allowable square footage will generally be less than 300.*

Gross income limitation. Your deduction for business use of the home is limited to an amount equal to the gross income derived from the qualified business use of the home reduced by the business deductions that are unrelated to the use of your home. If the business deductions that are unrelated to the use of your home are greater than the gross income derived from the qualified business use of your home, then you cannot take a deduction for this qualified business use of your home.

Business expenses not related to use of the home. These expenses relate to the business activity in the home, but not to the use of the home itself. You can still deduct business expenses that are unrelated to the use of the home. See *Where To Deduct*, later. Examples of business expenses that are unrelated to the use of the home are advertising, wages, supplies, dues, and depreciation for equipment.

Space used regularly for daycare. If you do not use the area of your home exclusively for daycare, you must reduce the prescribed rate (maximum $5 per square foot) before figuring your deduction. The reduced rate will equal the prescribed rate times a fraction. The numerator of the fraction is the number of hours that the space was used during the year for daycare and the denominator is the total number of hours during the year that the space was available for all uses. You can use the Daycare Facility Worksheet (for simplified method), near the end of this publication, to help you figure the reduced rate.

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TIP *If you used at least 300 square feet for daycare regularly and exclusively during the year, then you do not need to reduce the prescribed rate or complete the Daycare Facility Worksheet.*

Daycare Facility

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If you use space in your home on a regular basis for providing daycare, you may be able to claim a deduction for that part of your home even if you use the same space for nonbusiness purposes. To qualify for this exception to the exclusive use rule, you must meet both of the following requirements.

- You must be in the trade or business of providing daycare for children, persons age 65 or older, or persons who are physically or mentally unable to care for themselves.
- You must have applied for, been granted, or be exempt from having a license, certification, registration, or approval as a daycare center or as a family or group daycare home under state law. You do not meet this requirement if your application was rejected or your license or other authorization was revoked.

Figuring the deduction. If you elect to use the simplified method for your home, figure your deduction as described earlier in *Using the Simplified Method* under *Figuring the Deduction*.

If you are figuring your deduction using actual expenses and you regularly use part of your home for daycare, figure what part is used for daycare, as explained in *Business Percentage*, earlier, under *Figuring the Deduction*. If you also use that part exclusively for daycare, deduct all the allocable expenses, subject to the deduction limit, as explained earlier.

If the use of part of your home as a daycare facility is regular, but not exclusive, you must figure the percentage of time that part of your home is used for daycare. A room that is available for use throughout each business day and that you regularly use in your business is considered to be used for daycare throughout each business day. You do not have to keep records to show the specific hours the area was used for business. You can use the area occasionally for personal reasons. However, a room you use only occasionally for business does not qualify for the deduction.

TIP *To find the percentage of time you actually use your home for business, compare the total time used for business to the total time that part of your home can be used for all purposes. You can compare the hours of business use in a week with the number of hours in a week (168). Or, you can compare the hours of business use for the year with the number of hours in the year (8,784 in 2020). If you started or stopped using your home for daycare in 2020, you must prorate the number of hours based on the number of days the home was available for daycare.*

Example 1. Mary Lake used her basement to operate a daycare business for children. She figures the business percentage of the basement as follows.

$$\frac{\text{Square footage of the basement}}{\text{Square footage of her home}} = \frac{1{,}600}{3{,}200} = 50\%$$

She used the basement for daycare an average of 12 hours a day, 5 days a week, for 50 weeks a year. During the other 12 hours a day, the family could use the basement. She figures the percentage of time the basement was used for daycare as follows.

$$\frac{\text{Number of hours used for daycare (12 x 5 x 50)}}{\text{Total number of hours in the year (24 x 365)}} = \frac{3{,}000}{8{,}760} = 34.25\%$$

Mary can deduct 34.25% of any direct expenses for the basement. However, because her indirect expenses are for the entire house, she can deduct only 17.13% of the indirect expenses. She figures the percentage for her indirect expenses as follows.

Business percentage of the basement	50%
Multiplied by: Percentage of time used for daycare	× 34.25%
Percentage for indirect expenses	17.13%

Mary completes Form 8829, Part I, figuring the percentage of her home used for business, including the percentage of time the basement was used.

In Part II, Mary figures her deductible expenses. She uses the following information to complete Part II.

Gross income from her daycare business	$50,000
Expenses not related to the business use of the home	$25,000
Tentative profit	$25,000
Rent	$8,400
Utilities	$850
Painting the basement	$500

Mary enters her tentative profit, $25,000, on line 8. (This figure is the same as the amount on line 29 of her Schedule C (Form 1040)).

The expenses she paid for rent and utilities relate to her entire home. Therefore, she enters the amount paid for rent on line 19, column (b), and the amount paid for utilities on line 21, column (b). She shows the total of these expenses on line 23, column (b). For line 24, she multiplies the amount on line 23, column (b), by the percentage on line 7 and enters the result, $1,585.

Mary paid $500 to have the basement painted. The painting is a direct expense. However, because she did not use the basement exclusively for daycare, she must multiply $500 by the percentage of time the basement was used for daycare (34.25% – line 6). She enters $171 (34.25% × $500) on line 20, column (a). She adds line 23, column (a), and line 24 and enters $1,756 ($171 + $1,585) on line 26. This is less than her deduction limit

(line 15), so she can deduct the entire amount. She follows the instructions to complete the rest of Part II and enters $1,756 on lines 34 and 36. She then carries the $1,756 to line 30 of her Schedule C (Form 1040).

Example 2. Assume the same facts as in *Example 1* except that Mary also has another room that was available each business day for children to take naps in. Although she did not keep a record of the number of hours the room was actually used for naps, it was used for part of each business day. Since the room was available for business use during regular operating hours each business day and was used regularly in the business, it is considered used for daycare throughout each business day. The basement and room are 60% of the total area of her home. In figuring her expenses, 34.25% of any direct expenses for the basement and room are deductible. In addition, 20.55% (34.25% × 60%) of her indirect expenses are deductible.

Example 3. Assume the same facts as in *Example 1* except that Mary stopped using her home for a daycare facility on June 24, 2020. She used the basement for daycare an average of 12 hours a day, 5 days a week, but for only 25 weeks of the year. During the other 12 hours a day, the family could still use the basement. She figures the percentage of time the basement was used for business as follows.

$$\frac{\text{Number of hours used for daycare (12 x 5 x 25)}}{\text{Total number of hours during period used (24 x 175)}} = \frac{1{,}500}{4{,}200} = 35.71\%$$

Mary can deduct 35.71% of any direct expenses for the basement. However, because her indirect expenses are for the entire house, she can deduct only 17.86% of the indirect expenses. She figures the percentage for her indirect expenses as follows.

Business percentage of the basement	50%
Multiplied by: Percentage of time used for daycare	× 35.71%
Percentage for indirect expenses	17.86%

Meals. If you provide food for your daycare recipients, do not include the expense as a cost of using your home for business. Claim it as a separate deduction on your Schedule C (Form 1040). You can never deduct the cost of food consumed by you or your family. You can deduct as a business expense 100% of the actual cost of food consumed by your daycare recipients (see *Standard meal and snack rates*, later, for an optional method for eligible children) and generally only 50% of the cost of food consumed by your employees. However, you can deduct 100% of the cost of food consumed by your employees if its value can be excluded from their wages as a de minimis fringe benefit. For more information on meals that meet these requirements, see *Meals* in chapter 2 of Pub. 15-B, Employer's Tax Guide to Fringe Benefits.

If you deduct the actual cost of food for your daycare business, keep a separate record (with receipts) of your family's food costs.

Reimbursements you receive from a sponsor under the Child and Adult Care Food Program of the Department of Agriculture are taxable only to the extent they exceed your expenses for food for eligible children. If your reimbursements are more than your expenses for food, show the difference as income in Part I of Schedule C (Form 1040). If your food expenses are greater than the reimbursements, show the difference as an expense in Part V of Schedule C (Form 1040). Do not include payments or expenses for your own children if they are eligible for the program. Follow this procedure even if you receive a Form 1099-MISC, Miscellaneous Income, reporting a payment from the sponsor.

Standard meal and snack rates. If you qualify as a family daycare provider, you can use the standard meal and snack rates, instead of actual costs, to compute the deductible cost of meals and snacks provided to eligible children. For these purposes:

- A family daycare provider is a person engaged in the business of providing family daycare;
- Family daycare is childcare provided to eligible children in the home of the family daycare provider. The care must be non-medical, not involve a transfer of legal custody, and generally last less than 24 hours each day; and
- Eligible children are minor children receiving family daycare in the home of the family daycare provider. Eligible children do not include children who are full-time or part-time residents in the home where the childcare is provided or children whose parents or guardians are residents of the same home. Eligible children do not include children who receive daycare services for personal reasons of the provider. For example, if a provider provides daycare services for a relative as a favor to that relative, that child is not an eligible child.

You can compute the deductible cost of each meal and snack you actually purchased and served to an eligible child during the time period you provided family daycare using the standard meal and snack rates shown in Table 3. You can use the standard meal and snack rates for a maximum of one breakfast, one lunch, one dinner, and three snacks per eligible child per day. If you receive reimbursement for a particular meal or snack, you can deduct only the portion of the applicable standard meal or snack rate that is more than the amount of the reimbursement.

You can use either the standard meal and snack rates or actual costs to calculate the deductible cost of food provided to eligible children in the family daycare for any particular tax year. If you choose to use the standard meal and snack rates for a particular tax year, you must use the rates for all your deductible food costs for eligible children during that tax year. However, if you use the standard meal and snack rates in any tax year, you can use actual costs to compute the deductible cost of food in any other tax year.

If you use the standard meal and snack rates, you must maintain records to substantiate the computation of the total amount deducted for the cost of food provided to eligible children. The records kept should include the name of each child, dates and hours of attendance in the daycare,

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and the type and quantity of meals and snacks served. This information can be recorded in a log similar to the one shown in Exhibit A, near the end of this publication.

The standard meal and snack rates include beverages, but do not include non-food supplies used for food preparation, service, or storage, such as containers, paper products, or utensils. These expenses can be claimed as a separate deduction on your Schedule C (Form 1040).

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Table 3. **Standard Meal and Snack Rates**[1]

Location of Family Daycare Provider	Breakfast	Lunch	Dinner	Snack
States other than Alaska and Hawaii	$1.33	$2.49	$2.49	$0.74
Alaska	$2.12	$4.04	$4.04	$1.20
Hawaii	$1.54	$2.92	$2.92	$0.87

[1] The applicable rates for 2020 are the Child and Adult Care Food Program reimbursement rates in effect on December 31, 2019.

Sale or Exchange of Your Home

If you sell or exchange your home, you may be able to exclude up to $250,000 ($500,000 for certain married persons filing a joint return) of the gain on the sale or exchange. In most cases, you must meet the ownership and use tests. However, even if you meet the ownership and use tests, your home sale is not eligible for the exclusion if either of the following is true.

- You acquired the property through a like-kind exchange (1031 exchange) during the past 5 years.
- You are subject to the expatriate tax.

Ownership and use tests. The ownership and use tests generally require that during the 5-year period ending on the date of the sale:

- You owned the home for at least 2 years (ownership test), and
- You lived in the home as your main home for at least 2 years (use test). The 2 years of residence can fall anywhere within the 5-year period, and it does not need to be a single block of time.

Gain on Sale

If you use property partly as a home and partly for business, the treatment of any gain on the sale varies depending on whether the part of the property used for business is part of your home or separate from it.

Part of Home Used for Business

If the part of your property used for business is within your home, such as a room used as a home office for a business or rooms used to provide daycare, you do not need to allocate gain on the sale of the property between the business part of the property and the part used as a home. In addition, you do not need to report the sale of the business part on Form 4797, Sales of Business Property. This is true whether or not you were entitled to claim any depreciation. However, you cannot exclude the part of any gain equal to any depreciation allowed or allowable after May 6, 1997. See *Depreciation*, later.

Separate Part of Property Used for Business

You may have used part of your property as a home and a separate part of it, such as an outbuilding, for business.

Use test not met for business part. You cannot exclude gain on the separate part of your property used for business unless you owned and lived in that part of your property for at least 2 years during the 5-year period ending on the date of the sale. If you do not meet the use test for the business part of the property, an allocation of the gain on the sale is required. For this purpose, you must allocate the basis of the property and the amount realized upon its sale between the business part and the part used as a home. You must report the sale of the business part on Form 4797.

Use test met for business part (business use in year of sale). If you used a separate part of your property for business in the year of sale, you should treat the sale of the property as the sale of two properties, even if you met the use test for the business part. You must report the sale of the business part on Form 4797.

To determine the amount to report on Form 4797, you must divide your selling price, selling expenses, and basis between the part of the property used for business and the separate part used as your home. In the same way, if you qualify to exclude any of the gain on the business part of your property, also divide your maximum exclusion between that part of the property and the separate part used as your home.

Excluding gain on the business part of your property. You can generally exclude gain on the part of your property used for business if you owned and lived in that part as your main home for at least 2 years during the 5-year period ending on the date of the sale.

Use test met for business part (no business use in year of sale). If you have used a separate part of your property for business (though not in the year of sale) but

meet the use test for both the business part and the part you use as a home, you do not need to treat the transaction as the sale of two properties. Also, you do not need to file Form 4797. You can generally exclude gain on the entire property.

Depreciation

If you were entitled to deduct depreciation on the part of your home used for business, you cannot exclude the part of the gain equal to any depreciation you deducted (or could have deducted) for periods after May 6, 1997. This means that when figuring the amount of gain you can exclude, you must reduce the total gain by any depreciation allowed or allowable on the part of your home used for business after May 6, 1997.

If you can show by adequate records or other evidence that the depreciation you actually deducted (the allowed depreciation) was less than the amount you were entitled to deduct (the allowable depreciation), the amount you cannot exclude (and must subtract from your total gain when figuring your exclusion) is the amount you actually deducted.

You do not have to reduce the gain by any depreciation you deducted (or could have deducted) for a separate structure for which you cannot exclude the allocable portion of the gain.

Basis Adjustment

If you used any part of your home for business, you must adjust the basis of your home for any depreciation that was allowable for its business use, even if you did not claim it. If you deducted less depreciation than you could have under the method you properly selected, you must decrease the basis by the amount you could have deducted under that method. If you deducted more depreciation than you should have under the method you properly selected, you must decrease the basis by the amount you should have deducted, plus the part of the excess deducted that actually decreased your tax liability for any year. For more information on reducing the basis of your property for depreciation, see Pub. 551.

Reporting the Sale

Do not report the 2020 sale of your main home on your tax return unless:

- You received a Form 1099-S, Proceeds From Real Estate Transactions, for the sale or exchange;
- You have a gain and you do not qualify to exclude all of it;
- You have a gain and choose not to exclude it; or
- You have a loss from the sale that is deductible.

CAUTION *A loss from the sale of your home, or the personal part of your home if it was also used for business or to produce rental income, is not deductible.*

If any of these conditions apply, report the gain or loss as explained in the Instructions for Schedule D.

If you used the home for business, you may have to use Form 4797 to report the sale of the business part. See the Instructions for Form 4797.

More Information

This section covers only the basic rules for the sale or exchange of your home. For more information, see Pub. 523, Selling Your Home.

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Business Furniture and Equipment

This section discusses the depreciation and section 179 deductions you may be entitled to take for furniture and equipment you use in your home for business. These deductions are available whether or not you qualify to deduct expenses for the business use of your home.

This section explains the different rules for each of the following.

- Listed property.
- Property bought for business use.
- Personal property converted to business use.

Listed Property

If you use certain types of property, called listed property, in your home, special rules apply. Listed property includes any property of a type generally used for entertainment, recreation, and amusement (including photographic, phonographic, and video recording equipment).

More-than-50%-use test. If you bought listed property and placed it in service during the year, you must use it more than 50% for business to claim a section 179 deduction or an accelerated depreciation deduction.

If your business use of listed property is 50% or less, you cannot take a section 179 deduction and you must depreciate the property using the Alternative Depreciation System (ADS) (straight line method). For more information on ADS, see Pub. 946.

Listed property meets the more-than-50%-use test for any year if its qualified business use is more than 50% of its total use. You must allocate the use of any item of listed property used for more than one purpose during the year among its various uses. You cannot use the percentage of investment use as part of the percentage of qualified business use to meet the more-than-50%-use test. However, you do use the combined total of business and investment use to figure your depreciation deduction for the property.

Years following the year placed in service. If, in a year after you place an item of listed property in service,

you fail to meet the more-than-50%-use test for that item of property, you may be required to do the following.

1. Figure depreciation, beginning with the year you no longer use the property more than 50% for business, using the straight line method (ADS).
2. Figure any excess depreciation (include any section 179 deduction on the property in figuring excess depreciation) and add it to:
   a. Your gross income, and
   b. The adjusted basis of your property.

For more information, see Pub. 946.

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Reporting and recordkeeping requirements. If you use listed property in your business, you must file Form 4562 to claim a depreciation or section 179 deduction. Begin with Part V, Section A, of that form.

RECORDS You cannot take any depreciation or section 179 deduction for the use of listed property unless you can prove your business/investment use with adequate records or sufficient evidence to support your own statements.

To meet the adequate records requirement, you must maintain an account book, diary, log, statement of expense, trip sheet, or similar record or other documentary evidence that is sufficient to establish business/investment use. For more information on what records to keep, see Pub. 946.

Property Bought for Business Use

If you bought certain property during 2020 to use in your business, you can do any one of the following (subject to the limits discussed later).

- Elect a section 179 deduction for the full cost of the property.
- Depreciate the cost of the property.
- Take part of the cost as a section 179 deduction and depreciate the balance.

Section 179 Deduction

You can claim the section 179 deduction for the cost of depreciable tangible personal property bought for use in your trade or business. You can choose how much (subject to the limit) of the cost you want to deduct under section 179 and how much you want to depreciate. You can spread the section 179 deduction over several items of property in any way you choose as long as the total does not exceed the maximum allowable. You cannot take a section 179 deduction for the basis of the business part of your home.

You elect the section 179 deduction by completing Part I of Form 4562.

More information. For more information on the section 179 deduction, qualifying property, the dollar limit, and the business income limit, see Pub. 946 and the Instructions for Form 4562.

Depreciation

Use Parts II and III of Form 4562 to claim your deduction for depreciation on property placed in service during the year. Do not include any costs deducted in Part I (section 179 deduction).

Most business property normally used in a home office is either 5-year or 7-year property under MACRS.

- 5-year property includes computers and peripheral equipment, typewriters, calculators, adding machines, and copiers.
- 7-year property includes office furniture and fixtures such as desks, files, and safes.

Under MACRS, you generally use the half-year convention, which allows you to deduct a half-year of depreciation in the first year you use the property in your business. If you place more than 40% of your depreciable property in service during the last 3 months of your tax year, you must use the mid-quarter convention instead of the half-year convention.

After you have determined the cost of the depreciable property (minus any section 179 deduction and special depreciation allowance taken on the property) and whether it is 5-year or 7-year property, use the table, shown next, to figure your depreciation if the half-year convention applies.

Table 4. **MACRS Percentage Table for 5- and 7-Year Property Using Half-Year Convention**

Recovery Year	5-Year Property	7-Year Property
1	20.00%	14.29%
2	32.00%	24.49%
3	19.20%	17.49%
4	11.52%	12.49%
5	11.52%	8.93%
6	5.76%	8.92%
7		8.93%
8		4.46%

See Pub. 946 for a discussion of the mid-quarter convention and for complete MACRS percentage tables.

Example. In June 2020, Donald Kent bought a desk and three chairs for use in his office. His total bill for the furniture was $1,975. His taxable business income for the year was $3,000 without any deduction for the office furniture. Donald can elect to do one of the following.

- Take a section 179 deduction for the full cost of the office furniture.
- Take part of the cost of the furniture as a section 179 deduction and depreciate the balance.
- Not take the section 179 deduction and depreciate the office furniture using its full cost.

The furniture is 7-year property under MACRS. Donald does not take a section 179 deduction. He multiplies $1,975 by 14.29% (0.1429) to get his MACRS depreciation deduction of $282.23.

Personal Property Converted to Business Use

If you use property in your home office that was used previously for personal purposes, you cannot take a section 179 deduction for the property. You also cannot take a special depreciation allowance for the property. However, you can depreciate it. The method of depreciation you use depends on when you first used the property for personal purposes.

If you began using the property for personal purposes after 1986 and change it to business use in 2020, depreciate the property under MACRS.

The basis for depreciation of property changed from personal to business use is the lesser of the following.

- The adjusted basis of the property on the date of change.
- The fair market value of the property on the date of change.

If you began using the property for personal purposes after 1980 and before 1987 and change it to business use in 2020, you generally depreciate the property under the accelerated cost recovery system (ACRS). However, if the depreciation under ACRS is greater in the first year than the depreciation under MACRS, you must depreciate it under MACRS. For information on ACRS, see Pub. 534, Depreciating Property Placed in Service Before 1987.

If you began using the property for personal purposes before 1981 and change it to business use in 2020, depreciate the property by the straight line or declining balance method based on salvage value and useful life.

Recordkeeping

You do not have to use a particular method of recordkeeping, but you must keep records that provide the information needed to figure your deductions for the business use of your home. You should keep canceled checks, receipts, and other evidence of expenses you paid.

Your records must show the following information.

- The part of your home you use for business.
- That you use part of your home exclusively and regularly for business as either your principal place of business or as the place where you meet or deal with clients or customers in the normal course of your business. However, see the earlier discussion, *Exceptions to Exclusive Use* under *Qualifying for a Deduction*.
- The depreciation and expenses for the business part.

You must keep your records for as long as they are important for any tax law. This is usually the later of the following dates.

- 3 years from the return due date or the date filed.
- 2 years after the tax was paid.

Keep records to prove your home's depreciable basis. This includes records of when and how you acquired your home, your original purchase price, any improvements to your home, and any depreciation you are allowed because you maintained an office in your home. You can keep copies of Forms 8829 or the Worksheet To Figure the Deduction for Business Use of Your Home, found later in this publication, as records of depreciation.

For more information on recordkeeping, see Pub. 583, Starting a Business and Keeping Records.

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Where To Deduct

Deduct expenses for the business use of your home on Form 1040 or Form 1040-SR. Where you deduct these expenses on the form depends on whether you are a self-employed person or a partner.

Self-Employed Persons

If you use your home in your trade or business and file Schedule C (Form 1040), report the entire deduction for business use of your home on line 30 of Schedule C (Form 1040). Whether you need to complete and attach Form 8829 to your return depends on how you figure your deduction. See *Line 30* in the Instructions for Schedule C for more information.

If you use your home in your farming business and file Schedule F (Form 1040), report your entire deduction for business use of the home on line 32 of Schedule F (Form 1040). Enter “Business Use of Home” on the dotted line beside the entry.

Expenses Deductible Without Regard to a Business Connection

Certain expenses related to the use of your home may be deducted whether or not you use your home for business. These expenses may include some or all of your mortgage interest, mortgage insurance premiums, real estate taxes, and casualty losses attributable to a federally declared disaster. Where you deduct these expenses depends on how you figure your deduction for business use of the home.

Using actual expenses to figure the deduction. In general, you will deduct the business portion of these expenses on Schedule C (Form 1040) or Schedule F (Form 1040) as part of your deduction for business use of your home. If you itemize your deductions, you will deduct the personal portion of these expenses on Schedule A (Form 1040).

Home mortgage interest. You will figure the business portion of your home mortgage interest using Form 8829 (if you file Schedule C (Form 1040)) or the Worksheet To Figure the Deduction for Business Use of Your Home in this publication (if you file Schedule F (Form 1040)). The business portion of your home mortgage interest allowed as a deduction this year will be included in the business use of the home deduction you report on Schedule C (Form 1040), line 30, or Schedule F (Form 1040), line 32. If you cannot deduct the business portion of your home mortgage interest in full this year, you will carry over the remaining home mortgage interest to a subsequent year in which you use actual expenses to figure your business of the home deduction.

If you itemize your deductions on Schedule A (Form 1040), only include the personal part of your deductible mortgage interest on Schedule A (Form 1040), line 8a or 8b. The personal portion of your home mortgage interest will generally be the amount of deductible home mortgage interest you figured when treating all home mortgage interest as a personal expense and applying the Schedule A (Form 1040) limits on deducting home mortgage interest, reduced by the business or rental portions deducted or carried over as a business or rental expense on Schedule C, E, or F, or any form other than Schedule A. Home mortgage interest that exceeds the amount you figured after applying the Schedule A (Form 1040) limits on deducting home mortgage interest is not deductible as a personal expense.

Mortgage insurance premiums. You will figure the business portion of your mortgage insurance premiums using Form 8829 (if you file Schedule C (Form 1040)) or the Worksheet To Figure the Deduction for Business Use of Your Home in this publication (if you file Schedule F (Form 1040)). The business portion of your mortgage insurance premiums allowed as a deduction this year will be included in the business use of the home deduction you report on Schedule C (Form 1040), line 30, or Schedule F (Form 1040), line 32. If you cannot deduct the business portion of your mortgage insurance premiums in full this year, you will carry over the remaining mortgage insurance premiums to a subsequent year in which you use actual expenses to figure your business of the home deduction.

If you itemize your deductions on Schedule A (Form 1040), only include the personal part of your mortgage insurance premiums in line 1 of the Mortgage Insurance Premiums Worksheet in the Instructions for Schedule A. The personal portion of your mortgage insurance premiums does not include the rental portion or business portion of mortgage insurance premiums attributable to the home in which you conducted rental or business activities.

Real estate taxes. You figure the business portion of your real estate taxes using Form 8829 (if you file Schedule C (Form 1040)) or the Worksheet To Figure the Deduction for Business Use of Your Home in this publication (if you file Schedule F (Form 1040)). The business portion of your real estate taxes allowed as a deduction this year will be included in the business use of the home deduction you report on Schedule C (Form 1040), line 30, or Schedule F (Form 1040), line 32. If you cannot deduct the business portion of your real estate taxes in full this year, you will carry over those real estate taxes to a subsequent year in which you use actual expenses to figure your business of the home deduction.

If you itemize your deductions on Schedule A (Form 1040), only include the personal part of your real estate taxes on Schedule A (Form 1040), line 5b. The personal portion of your real estate taxes will generally be the amount of real estate taxes you paid for the home reduced by the business or rental portions deducted or carried over as a business or rental expense on Schedule C, E, or F, or any form other than Schedule A.

Casualty losses. You will figure the business portion of the casualty losses attributable to your home using Form 8829 (if you file Schedule C (Form 1040)) or the Worksheet To Figure the Deduction for Business Use of Your Home in this publication (if you file Schedule F (Form 1040)). The business portion of your casualty losses allowed as a deduction this year will be reported on line 27 in Section B of Form 4684. If you cannot deduct the business portion of your casualty losses in full this year, you will carry over those losses to a subsequent year in which you use actual expenses to figure your business of the home deduction.

Only include the personal portion of your casualty losses in Section A of the Form 4684 you attach to your return. If you itemize your deductions on Schedule A (Form 1040), you will include the deductible personal portion of the casualty losses attributable to your home figured on line 18 of Form 4684 on line 15 of Schedule A and the net qualified disaster losses attributable to your home figured on line 15 of Form 4684 on line 16 of Schedule A. If you are increasing your standard deduction by a net qualified disaster loss, you will add the net qualified disaster loss figured on line 15 of Form 4684 to your standard deduction using a Schedule A.

Using the simplified method to figure your deduction. If you use the simplified method to figure your deduction for the business use of a home, your mortgage interest, mortgage insurance premiums, real estate taxes, and casualty losses are treated as personal expenses, and they are subject to any limits that apply to deducting personal expenses. No part of any of these expenses can be deducted as a business expense on Schedule C (Form 1040) or Schedule F (Form 1040). Generally, you can only deduct these expenses if you itemize your deductions on Schedule A (Form 1040).

Business Expenses for Use of Your Home

Other expenses related to the use of your home may be deducted only to the extent they are related to the business use of your home. These expenses include insurance, maintenance, utilities, and depreciation of your home. You cannot deduct the personal portion of any of these expenses. Where you deduct the business portion of these expenses depends on how you figure your deduction for business use of the home.

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Using actual expenses to figure your deduction. If you file Schedule C (Form 1040), report the other home expenses that would not be allowable if you did not use your home for business (for example, insurance, maintenance, utilities, and depreciation) on the appropriate lines of your Form 8829. If you rent rather than own your home, report the rent you paid on line 19 of Form 8829. If these expenses exceed the deduction limit, carry the excess over to next year. The carryover will be subject to next year's deduction limit.

If you file Schedule F (Form 1040), include your otherwise nondeductible expenses (insurance, maintenance, utilities, depreciation, etc.) with your total business-use-of-the-home expenses on Schedule F (Form 1040), line 32. Enter "Business Use of Home" on the dotted line beside the entry. If these expenses exceed the deduction limit, carry the excess over to the next year. The carryover will be subject to next year's deduction limit.

Using the simplified method to figure your deduction. You cannot deduct any of these expenses. The simplified method is an alternative to calculating and substantiating these expenses. Figure your deduction using the Simplified Method Worksheet.

Business Expenses Not for Use of Your Home

No matter how you figure the deduction for business use of your home, deduct business expenses that are not for the use of your home itself (dues, salaries, supplies, certain telephone expenses, depreciation of equipment, etc.) on the appropriate lines of Schedule C (Form 1040) or Schedule F (Form 1040). These expenses are not for the use of your home, so they are not subject to the deduction limit for business use of the home expenses.

Partners

You may be allowed to deduct unreimbursed ordinary and necessary expenses you paid on behalf of the partnership (including qualified expenses for the business use of your home) if you were required to pay these expenses under the partnership agreement and they are trade or business expenses under section 162.

If you are using actual expenses to figure your deduction for the business use of your home, use the Worksheet To Figure the Deduction for Business Use of Your Home, later. If you are using the simplified method to figure your deduction for the business use of your home, use the Simplified Method Worksheet, later.

Deducting unreimbursed partnership expenses. See the following forms and related instructions for information about deducting unreimbursed partnership expenses.

- Schedule E (Form 1040), Supplemental Income and Loss.
- Schedule SE (Form 1040), Self-Employment Tax.
- Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc.

More information. For more information about partners and partnerships, see Pub. 541, Partnerships.

Worksheet To Figure the Deduction for Business Use of Your Home

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This worksheet is to be used by taxpayers filing Schedule F (Form 1040) or by partners with certain unreimbursed ordinary and necessary expenses if using actual expenses to figure the deduction. If you are using the simplified method to figure your deduction, use the Simplified Method Worksheet, later.

Instructions for the Worksheet To Figure the Deduction for Business Use of Your Home

The Worksheet To Figure the Deduction for Business Use of Your Home is to be used by taxpayers filing Schedule F (Form 1040) or by partners with certain unreimbursed ordinary and necessary expenses if using actual expenses to figure the deduction. The following instructions explain how to complete each part of the worksheet.

Partners. See *Partners* under *Where To Deduct*, earlier, before completing the worksheet.

CAUTION *If you file Schedule C (Form 1040) and use actual expenses to figure your deduction, use Form 8829 instead of this worksheet.*

Part 1—Part of Your Home Used for Business

Lines 1–3. If you figure the percentage based on area, use lines 1 through 3 to figure the business-use percentage. Enter the percentage on line 3.

You can use any other reasonable method that accurately reflects your business-use percentage. If you operate a daycare facility and you meet the exception to the exclusive use test for part or all of the area you use for business, you must figure the business-use percentage for that area as explained under *Daycare Facility*, earlier. If you use another method to figure your business percentage, skip lines 1 and 2 and enter the percentage on line 3.

Part 2—Figure Your Allowable Deduction

Line 4. If you file Schedule F (Form 1040), enter your total gross income that is related to the business use of your home. This would generally be the amount on line 9 of Schedule F (Form 1040).

Lines 5–7. Use lines 5, 6, and 7 for business use of the home expenses that would have been deductible as a

Worksheet To Figure the Deduction for Business Use of Your Home

Keep for Your Records

Use this worksheet if you file Schedule F (Form 1040) or you are a partner, and you are using actual expenses to figure your deduction for business use of the home. Use a separate worksheet for each qualified business use of your home.

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PART 1—Part of Your Home Used for Business:

1) Area of home used for business . . . . . 1) _____
2) Total area of home . . . . . 2) _____
3) Percentage of home used for business (divide line 1 by line 2 and show result as percentage) . . . . . 3) _____ %

PART 2—Figure Your Allowable Deduction

4) Gross income from business (see instructions) . . . . . 4) _____

		(a) Direct Expenses	(b) Indirect Expenses	
5)	Casualty losses	5) _____	_____	
6)	Deductible mortgage interest	6) _____	_____	
7)	Real estate taxes	7) _____	_____	
8)	Total of lines 5 through 7	8) _____	_____	
9)	Multiply line 8, column (b), by line 3		9) _____	
10)	Add line 8, column (a), and line 9		10) _____	
11)	Business expenses not from business use of home (see instructions)		11) _____	
12)	Add lines 10 and 11			12) _____
13)	Deduction limit. Subtract line 12 from line 4			13) _____
14)	Excess mortgage interest	14) _____	_____	
15)	Excess real estate taxes	15) _____	_____	
16)	Insurance	16) _____	_____	
17)	Rent	17) _____	_____	
18)	Repairs and maintenance	18) _____	_____	
19)	Utilities	19) _____	_____	
20)	Other expenses	20) _____	_____	
21)	Add lines 14 through 20	21) _____	_____	
22)	Multiply line 21, column (b), by line 3		22) _____	
23)	Carryover of operating expenses from prior year (see instructions)		23) _____	
24)	Add line 21, column (a), line 22, and line 23			24) _____
25)	Allowable operating expenses. Enter the **smaller** of line 13 or line 24			25) _____
26)	Limit on excess casualty losses and depreciation. Subtract line 25 from line 13			26) _____
27)	Excess casualty losses (see instructions)		27) _____	
28)	Depreciation of your home from line 40 below		28) _____	
29)	Carryover of excess casualty losses and depreciation from prior year (see instructions)		29) _____	
30)	Add lines 27 through 29			30) _____
31)	Allowable excess casualty losses and depreciation. Enter the **smaller** of line 26 or line 30			31) _____
32)	Add lines 10, 25, and 31			32) _____
33)	Casualty losses included on lines 10 and 31 (see instructions)			33) _____
34)	Allowable expenses for business use of your home. (Subtract line 33 from line 32.) See instructions for where to enter on your return			34) _____

PART 3—Depreciation of Your Home

35) Smaller of adjusted basis or fair market value of home (see instructions) . . . . . 35) _____
36) Basis of land . . . . . 36) _____
37) Basis of building (subtract line 36 from line 35) . . . . . 37) _____
38) Business basis of building (multiply line 37 by line 3) . . . . . 38) _____
39) Depreciation percentage (from applicable table or method) . . . . . 39) _____ %
40) Depreciation allowable (multiply line 38 by line 39) . . . . . 40) _____

PART 4—Carryover of Unallowed Expenses to Next Year

41) Operating expenses. Subtract line 25 from line 24. If less than zero, enter -0- . . . . . 41) _____
42) Excess casualty losses and depreciation. Subtract line 31 from line 30. If less than zero, enter -0- . . . . . 42) _____

personal expense if you had not used your home for business. These expenses include certain casualty losses, mortgage interest, mortgage insurance premiums, and real estate taxes.

Taxpayers claiming the standard deduction. If you claim the standard deduction, you will not include any mortgage interest, mortgage insurance premiums, or real estate taxes on lines 6 and 7; instead, you will claim the entire business use of the home portion of those expenses using lines 14 and 15. If you are not increasing your standard deduction by a net qualified disaster loss, then you will not include any casualty losses on line 5; instead, you will claim the entire business use of the home portion of your casualty losses on line 27. If you are filing Schedule A to increase your standard deduction by a net qualified disaster loss, see *Casualty losses reported on line 5*, later.

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TIP *You may prefer to itemize your deductions on Schedule A to claim amounts on lines 5, 6, and 7, even if your total personal deductions are less than the standard deduction.*

Casualty losses reported on line 5. Figure the amount to include in column (b) of line 5 as follows.

Step 1. Complete a worksheet version of Section A of Form 4684 treating all your casualty losses (and gains) as personal expenses. If you are itemizing your deductions, when completing line 17 of this worksheet version of Form 4684, enter 10% of your adjusted gross income excluding the gross income and deductions attributable to the business use of the home. Do not file this worksheet version of Form 4684; instead, keep it for your records. You will complete a separate Form 4684 to attach to your return using only the personal portion of your casualty losses (and gains) for Section A.

Step 2. Include in column (b) of line 5 the loss amounts from lines 15 and 18 of this worksheet version of Form 4684 that are attributable to the home in which you conducted the business and are the result of a federally declared disaster. If you are claiming an increased standard deduction instead of itemizing your deductions, only use a net qualified disaster loss on line 15 of the worksheet version of Form 4684 for this Step 2.

See the instructions for line 33, later, for the business use of the home casualty losses that you must include in Section B of the separate Form 4684 you attach to your return.

Casualty losses reported on Schedule A. Use only the personal portion of your casualty losses (and gains) when completing Section A of the separate Form 4684 you attach to your return. The separate Form 4684 you attach to your return is used to figure the casualty losses you can include on line 15 of Schedule A and the net qualified disaster losses you can include on line 16 of Schedule A.

Excess casualty losses. See the instructions for line 27, later, to deduct the part of your casualty losses for business use of your home not allowed because of the limits on deducting casualty losses as a personal expense, including any losses that are not the result of a federally declared disaster.

Mortgage interest reported on line 6. If you are claiming the standard deduction, do not report an amount on line 6. If you itemize your deductions, figure the amount to include in column (b) of line 6 as follows.

Step 1. Treat all the mortgage interest you paid as a personal expense and figure the amount that would be deductible as an itemized deduction on Schedule A. See Pub. 936 for more information about figuring the home mortgage interest deduction and the limits that may apply.

Step 2. Include in column (b) of line 6 the amount of deductible mortgage interest figured in Step 1 that is attributable to the home in which you conducted the business. Because the limits on deducting mortgage interest as a personal expense are figured using all loans secured by your home(s), do not claim mortgage interest in column (a) as a direct expense, even if you use a separate structure in your home in connection with your trade or business.

Mortgage interest reported on Schedule A. When you figure your itemized deduction for mortgage interest on Schedule A, include the following amounts of deductible mortgage interest that you figured in Step 1 to the extent they are not deducted on another form, such as Schedule E, as a rental expense.

- The amount of deductible mortgage interest you figured in Step 1 that is not attributable to the home in which you conducted the business.
- The personal portion of deductible mortgage interest you included in column (b) of line 6. For example, if your business percentage on line 3 is 30%, 70% of the amount you included in column (b) of line 6 is deductible as an itemized deduction on Schedule A.

Excess mortgage interest. See the instructions for line 14, later, to deduct the part of your mortgage interest from loans used to buy, build, or substantially improve the home in which you conducted business that is not allowed on line 6 because of the limits on deducting home mortgage interest as a personal expense.

Mortgage insurance premiums reported on line 6. If you are claiming the standard deduction, do not report any mortgage insurance premiums on line 6. If you itemize your deductions, figure the amount to include in column (b) of line 6 as follows.

Step 1. Treat all the mortgage insurance premiums you paid under a mortgage insurance contract issued after December 31, 2006, in connection with home acquisition debt that was secured by your first or second home as a personal expense and complete a separate Mortgage Insurance Premiums Deduction Worksheet in the Instructions for Schedule A for the Worksheet To Figure the Deduction for Business Use of Your Home. When completing line 2 of this worksheet for the Worksheet To Figure the Deduction for Business Use of Your Home, enter your adjusted gross income excluding the gross income and deductions attributable to the business use of the home. Do

not use this worksheet to figure the amount to enter on line 8d of Schedule A.

Step 2. Include in column (b) of line 6 the amount of deductible mortgage insurance premiums figured in Step 1 that are attributable to the home in which you conducted the business.

Mortgage insurance premiums reported on Schedule A. When you figure your itemized deduction for mortgage insurance premiums on Schedule A, use only the personal portion of your mortgage insurance premiums when completing the Mortgage Insurance Premiums Deduction Worksheet for line 8d of Schedule A. The personal portion of your mortgage insurance premiums for Schedule A include the following amounts to the extent they are not deducted on another form, such as Schedule E, as a rental expense.

- The mortgage insurance premiums that are not attributable to the home in which you conducted the business.
- The personal portion of the mortgage insurance premiums attributable to the home in which you conducted the business. For example, if your business percentage on line 7 is 30%, 70% of the mortgage insurance premiums attributable to the home in which you conducted the business are included on line 1 of the Mortgage Insurance Premiums Deduction Worksheet you complete for Schedule A.

Excess mortgage insurance premiums. See the instructions for line 14, later, to deduct the part of your mortgage insurance premiums from loans used to buy, build, or substantially improve the home in which you conducted business that are not allowed on line 6 because of the limit on deducting mortgage insurance premiums as a personal expense.

Real estate taxes reported on line 7. If you are claiming the standard deduction, do not report an amount on line 7. If you are itemizing deductions, figure the amount to include on line 7 as follows.

Step 1. If the total of your state and local income (or, if elected on your Schedule A, general sales) taxes, real estate taxes, and personal property taxes is not more than $10,000 ($5,000 if married filing separately), enter all the real estate taxes attributable to the home in which you conducted business in column (b) of line 7.

Step 2. If you do not meet the condition of Step 1, use the following worksheet to figure the amount to include in column (a) of line 7.

Line 7 Worksheet

1.	Enter your state and local income taxes (or, if you elect on Schedule A, your state and local general sales taxes) that are personal expenses	1. _____
2.	Enter all the state and local real estate taxes you paid on the home in which you conducted business	2. _____
3.	Enter any other state and local real estates taxes you paid that are a personal expense and not included in line 2	3. _____
4.	Enter your state and local personal property taxes that are a personal expense	4. _____
5.	Add lines 1 through 4	5. _____
6.	Multiply line 2 by the percentage on line 3 of the Worksheet To Figure the Deduction for Business Use of Your Home	6. _____
7.	Subtract line 6 from line 5	7. _____
8.	Subtract line 7 from $10,000 ($5,000 if married filing separately). If zero or less, enter -0-	8. _____
9.	**Real estate taxes reported on line 7.** Enter the smaller of line 6 or line 8 here and in column (a) of line 7 of the Worksheet To Figure the Deduction for Business Use of Your Home	9. _____
10.	**Excess real estate taxes reported on line 15.** Subtract line 9 from line 6	10. _____

Real estate taxes reported on Schedule A. When you figure your itemized deduction for state and local taxes on Schedule A, only include the personal portion of your real estate taxes on line 5b of Schedule A. If the only nonpersonal use of the home was this business activity, then line 7 of the Line 7 Worksheet is the personal portion of your real estate taxes.

Excess real estate taxes. See the instructions for line 15, later, to deduct the part of your real estate taxes for the home in which you conducted business that is not allowed on line 7 because of the limitation on deducting state and local taxes as a personal expense.

Lines 9 and 10. Multiply your total indirect expenses (line 8, column (b)) by the business percentage from line 3. Enter the result on line 9. Add this amount to the total direct expenses (line 8, column (a)) and enter the total on line 10.

Lines 11–13. Enter any other business expenses that are not attributable to business use of the home on line 11. Farmers should generally enter their total farm expenses before deducting office-in-the-home expenses. Do not enter the deductible part of your self-employment tax. Add the amounts on lines 10 and 11, and enter the total on line 12. Subtract line 12 from line 4, and enter the result on line 13. This is your deduction limit. You use it to determine whether you can deduct any of your other expenses for business use of the home this year. If you cannot, you will carry them over to the next year in which you use actual expenses to figure the deduction.

If line 13 is zero or less, enter -0-. Deduct your expenses for deductible home mortgage interest, real estate taxes, casualty losses, and any business expenses not attributable to use of your home on the appropriate lines of

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the schedule(s) for Form 1040 or Form 1040-SR as explained earlier under *Where To Deduct*.

Lines 14–23. On lines 14 through 20, enter your otherwise nondeductible expenses for the business use of your home. These include utilities, insurance, repairs, and maintenance. If you rent, report the amount paid on line 17. In column (a), enter the expenses that benefit only the business part of your home (direct expenses). In column (b), enter the expenses that benefit the entire home (indirect expenses). Multiply line 21, column (b), by the business-use percentage (line 3) and enter this amount on line 22.

If you deducted actual expenses for the business use of your home on your 2019 tax return, enter on line 23 the amount from line 40 of your 2019 worksheet. If you used the simplified method in 2019, enter on line 23 the amount from line 6a of your 2019 Simplified Method Worksheet.

Line 14—Excess home mortgage interest and mortgage insurance premiums. If you are claiming the standard deduction, enter all the home mortgage interest and mortgage insurance premiums paid for loans used to buy, build, or substantially improve the home in which you conducted business in column (b) of line 14. Do not include mortgage interest or mortgage insurance premiums on a loan that did not benefit your home (for example, a home equity loan used to pay off credit card bills, to buy a car, or to pay tuition costs).

If you are itemizing deductions on Schedule A and the amount you figured in Step 1 under *Mortgage interest reported on line 6* or Step 1 under *Mortgage insurance premiums reported on line 6*, earlier, was less than the full amount of interest or insurance premiums you paid because of the limits on deducting home mortgage interest or mortgage insurance premiums as a personal expense, include the excess attributable to the loans used to buy, build, or substantially improve the home in which you conducted business in column (b) of line 14.

Example 1. If you paid $15,000 of home mortgage interest on loans used to buy, build, or substantially improve the home in which you conducted business but would only be able to deduct $12,000 on Schedule A because of the limits that apply to deducting home mortgage interest as a personal expense, include $3,000 ($15,000 - $12,000 = $3,000) in column (b) of line 14.

Example 2. If you paid $3,000 of mortgage insurance premiums on loans used to buy, build, or substantially improve the home in which you conducted business but the Mortgage Insurance Premiums Deduction Worksheet you completed for the Worksheet To Figure the Deduction for Business Use of Your Home limits the amount of mortgage insurance premiums you can include in column (b) of line 6 to $1,000, include $2,000 ($3,000 - $1,000) in column (b) of line 14.

Line 15—Excess real estate taxes. If you are claiming the standard deduction, enter all the real estate taxes paid on the home in which you conducted business in column (b) of line 15.

If you are itemizing deductions on Schedule A and you used the Line 7 Worksheet to figure the amount to include in column (a) of line 7, then include the amount from line 11 of the Line 7 Worksheet in column (a) of line 15; otherwise, do not enter an amount on line 15.

Lines 26–31. On lines 26 through 31, figure your limit on deductions for excess casualty losses and depreciation.

If you deducted actual expenses for business use of your home on your 2019 tax return, enter on line 29 the amount from line 41 of your 2019 worksheet. If you used the simplified method in 2019, enter on line 29 the amount from line 6b of your 2019 Simplified Method Worksheet.

Line 27—Excess casualty loss. Multiply the casualty losses attributable to the home in which you conducted business that are in excess of the amount reported on line 5 (if any) by the business percentage of those losses and enter the result.

Lines 32–34. On line 32, total all allowable business use of the home deductions.

On line 33, enter the total of the casualty losses shown on lines 10 and 31. Enter the amount from line 33 on line 27 of Form 4684, Section B. Attach a statement to your tax return showing how you calculated the deductible loss (you can use the worksheet as your attachment) and enter "See attached statement" above line 27 of Form 4684. See the Instructions for Form 4684 for more information on completing that form.

Line 34 is the total (other than casualty losses) allowable as a deduction for business use of your home. If you file Schedule F (Form 1040), enter this amount on line 32, Other expenses, of Schedule F (Form 1040) and enter “Business Use of Home” on the line beside the entry. Do not add the specific expenses into other line totals of Part II of Schedule F (Form 1040).

If you are a partner, see *Where To Deduct*, earlier, for information on how to claim the deduction.

Part 3—Depreciation of Your Home

Figure your depreciation deduction on lines 35 through 40. On line 35, enter the smaller of the adjusted basis or the fair market value of the property at the time you first used it for business. Do not adjust this amount for changes in basis or value after that date. Allocate the basis between the land and the building on lines 36 and 37. You cannot depreciate any part of the land. On line 39, enter the correct percentage for the current year from the tables in Pub. 946. Multiply this percentage by the business basis to get the depreciation deduction. Enter this figure on lines 40 and 28. Complete and attach Form 4562 to your return if this is the first year you used your home, or an improvement or addition to your home, in business.

Part 4—Carryover of Unallowed Expenses to Next Year

Complete these lines to figure the expenses that must be carried forward to the next year in which you use actual expenses.

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Worksheets To Figure the Deduction for Business Use of Your Home (Simplified Method)

The Simplified Method Worksheet and the Daycare Facility Worksheet in this section are to be used by taxpayers filing Schedule F (Form 1040) or by partners with certain unreimbursed ordinary and necessary expenses if using the simplified method to figure the deduction. If you are filing Schedule C (Form 1040) to report a business use of your home in your trade or business and you are using the simplified method to figure the deduction, use the Simplified Method Worksheet and the Daycare Facility Worksheet in your Instructions for Schedule C for that business use.

The Area Adjustment Worksheet in this section may be used by any taxpayer using the simplified method to figure the deduction.

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Simplified Method Worksheet

Use this worksheet if you file Schedule F (Form 1040) or you are a partner, and you are using the simplified method to figure your deduction for business use of the home. Use a separate worksheet for each qualified business use of your home.

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1. Enter the amount of the gross income limitation. See the Instructions for the Simplified Method Worksheet . . . . . 1. _____

2. Allowable square footage for the qualified business use. Do not enter more than 300 square feet. See the Instructions for the Simplified Method Worksheet . . . . . 2. _____

3. Simplified method amount
   a. Maximum allowable amount 3a. $5
   b. For daycare facilities not used exclusively for business, enter the decimal amount from the Daycare Facility Worksheet; otherwise, enter 1.0 . . . . . 3b. _____
   c. Multiply line 3a by line 3b and enter result to 2 decimal places . . . . . 3c. _____

4. Multiply line 2 by line 3c . . . . . 4. _____

5. **Allowable expenses using the simplified method.** Enter the smaller of line 1 or line 4. If zero or less, enter -0-. See *Where To Deduct*, earlier, for where to enter this amount on your return . . . . . 5. _____

6. **Carryover of unallowed expenses from a prior year that are not allowed in 2020.**
   a. Operating expenses. Enter the amount, if any, from your last Worksheet To Figure the Deduction for Business Use of Your Home, line 41 (line 40 if before 2018). See the Instructions for the Simplified Method Worksheet . . . . . 6a. _____
   b. Excess casualty losses and depreciation. Enter the amount, if any, from your last Worksheet To Figure the Deduction for Business Use of Your Home, line 42 (line 41 if before 2018). See the Instructions for the Simplified Method Worksheet . . . . . 6b. _____

Daycare Facility Worksheet (for simplified method)

1. Multiply days used for daycare during the year by hours used per day . . . . . 1. _____

2. Total hours available for use during the year. See the Instructions for the Daycare Facility Worksheet . . . . . 2. _____

3. Divide line 1 by line 2. Enter the result as a decimal amount here and on line 3b of the Simplified Method Worksheet . . . . . 3. _____

Area Adjustment Worksheet (for simplified method)

If you used the same area for your qualified business use for the entire year, complete only Part I; otherwise, skip Part I, and complete Part II using lines 1 through 5 to help you figure the amount to enter for each month. All amounts reported on this worksheet must be in square feet.

Part I. Same area was used for the entire year.

1. Area used for this qualified business use . . . . . 1. _____

2. Shared use. Complete line 2 if someone else also used the home to conduct business that qualifies for the deduction; otherwise, enter 300 on line 2d and go to line 3.
   a. Area not shared. Enter portion of line 1 that was not shared with another person's qualified business use of the home . . . . . 2a. _____
   b. Total area shared with another person's qualified business use. Subtract line 2a from line 1 . . . . . 2b. _____
   c. Reasonable allocation of shared area to this qualified business use . . . . . 2c. _____
   d. Add lines 2a and 2c . . . . . 2d. _____

3. Multiple qualified business uses. Complete line 3 if you used the home for more than one qualified business use; otherwise, enter 300 on line 3d and go to line 4.
   a. Total area of home used for all your qualified business uses . . . . . 3a. _____
   b. Maximum area 3b. 300
   c. Enter the smaller of line 3a and 3b . . . . . 3c. _____
   d. Reasonable allocation of line 3c to this qualified business use . . . . . 3d. _____

4. Maximum area 4. 300

5. Enter the smaller of lines 1, 2d, 3d, and 4. Enter the result on line 2 of the Simplified Method Worksheet . . . . . 5. _____

Part II. Area changed during the year or was used for only part of the year.

6. Complete lines 6a through 6n if you used the area for this qualified business use for part of the year or the area used for this qualifying business use changed during the year.

	(i) Month	**Note.** If your qualified business use was less than 15 days in a month, enter -0- in column (ii) for that month; otherwise, use lines 1 through 5 above for each month, and enter the amount you get for line 5 in column (ii) for that month.	(ii) Area
a.	January	. . . . .	
b.	February	. . . . .	
c.	March	. . . . .	
d.	April	. . . . .	
e.	May	. . . . .	
f.	June	. . . . .	
g.	July	. . . . .	
h.	August	. . . . .	
i.	September	. . . . .	
j.	October	. . . . .	
k.	November	. . . . .	
l.	December	. . . . .	

   m. Add lines 6a through 6l, column (ii) . . . . . 6m. _____
   n. Average monthly allowable square footage. Divide line 6m by 12. Enter the result on line 2 of the Simplified Method Worksheet . . . . . 6n. _____

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Instructions for the Simplified Method Worksheet

If you are a partner or you file Schedule F (Form 1040), and you elected to use the simplified method, use the Simplified Method Worksheet. The following instructions explain how to complete this worksheet.

Partners. See *Partners* under *Where To Deduct*, earlier, before completing the Simplified Method Worksheet.

Use the Simplified Method Worksheet to figure the amount of expenses you may deduct for a qualified business use of a home if you are electing to use the simplified method for that home. If you are not electing to use the simplified method, use Form 8829 or the Worksheet To Figure the Deduction for Business Use of Your Home, earlier, as appropriate.

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Line 1. If all gross income from your trade or business is from this qualified business use of your home, figure your gross income limitation as follows.

A. Enter the amount of gross income. If you file Schedule F (Form 1040), this amount would generally be the amount on line 9 of Schedule F	_____
B. Enter any gain derived from the business use of your home and shown on Form 8949 (and included on Schedule D) or Form 4797	_____
C. Add lines A and B	_____
D. Business expenses not from business use of the home	_____
E. Enter the total amount of any losses (as a positive number) shown on Form 8949 (and included on Schedule D) or Form 4797 that are allocable to the business, but not allocable to the business use of the home	_____
F. Add lines D and E	_____
G. Gross income limitation. Subtract line F from line C. Enter the result here and on line 1	_____

If some of the income is from a place of business other than your home, you must first determine the part of your gross income from the business use of your home. In making this determination, consider the amount of time you spent at each location as well as other facts. After determining the part of your gross income from the business use of your home, subtract from that amount the total expenses and any losses that are allocable to the business in which you use your home but that are not allocable to the business use of the home.

Only include on line A the gross income from the business that is related to the business use of your home. Only include on line D and line E the deductible business expenses and losses that are related to the business activity in the home, but not related to the business use of the home itself.

Note. If you had more than one home in which you conducted this business during the year, include only the income earned and the deductions attributable to that income during the period you owned the home for which you elected to use the simplified method.

Line 2. If you used the same area for the entire year, enter the smaller of the square feet you actually used or 300. If you and your spouse conducted the business as a qualified joint venture, split the square feet between you and your spouse in the same manner you split your other tax attributes. If you shared space with someone else, used the home for business for only part of the year, or the area you used changed during the year, see *Allowable area* under *Using the Simplified Method*, earlier, before entering an amount on this line. Do not enter more than 300 square feet or, if applicable, the average monthly allowable square footage on this line. See *Part-year use or area changes (for simplified method only)* under *Using the Simplified Method*, earlier, for more information on how to figure your average monthly allowable square footage.

Line 3b. If your qualified business use is providing daycare, you may need to account for the time that you used the same part of your home for other purposes. If you used the part of your home exclusively and regularly for providing daycare, enter 1.0 on line 3b. If you did not use the part of your home exclusively for providing daycare, complete the Daycare Facility Worksheet to figure what number to enter on line 3b.

Line 6. Since you are using the simplified method this year, you cannot deduct the amounts you entered on lines 6a and 6b this year. If you figure your deduction for business use of the home using actual expenses next year, you will be able to include these expenses when you figure your deduction.

Line 6a. If you did not complete a 2019 Worksheet To Figure the Deduction for Business Use of Your Home, then your carryover of prior-year operating expenses is the amount of operating expenses shown in Part 4 of the last Worksheet To Figure the Deduction for Business Use of Your Home, if any, that you completed using actual expenses in order to claim a deduction for business use of the home as a partner or Schedule F filer.

Line 6b. If you did not complete a 2019 Worksheet To Figure the Deduction for Business Use of Your Home, then your carryover of prior-year excess casualty losses and depreciation is the amount of excess casualty losses and depreciation shown in Part 4 of the last Worksheet To Figure the Deduction for Business Use of Your Home, if any, that you completed using actual expenses to claim a deduction for business use of the home as a partner or Schedule F filer.

Instructions for the Daycare Facility Worksheet

Use the Daycare Facility Worksheet to figure the percentage to use on line 3b of the Simplified Method Worksheet. If you do not use the area of your home exclusively for daycare, you must reduce the amount on line 3a before figuring your deduction using the simplified method.

TIP *If you used at least 300 square feet for daycare regularly and exclusively during the year, then you do not need to complete this worksheet. This worksheet is only needed if you did not use the allowable area exclusively for daycare.*

Line 1. Enter the total number of hours the facility was used for daycare during the year.

Example. Your home is used Monday through Friday for 12 hours per day for 250 days during the year. It is also used on 50 Saturdays for 8 hours a day. Enter 3,400 hours on line 4 (3,000 hours for weekdays plus 400 hours for Saturdays).

Line 2. If you used your home for daycare during the entire year, multiply 365 days (366 for a leap year) by 24 hours, and enter the result.

If you started or stopped using your home for daycare during the year, you must prorate the number of hours based on the number of days the home was available for daycare. Multiply 24 hours by the number of days available and enter that result.

Instructions for the Area Adjustment Worksheet

Use the Area Adjustment Worksheet to figure the area that you may use to figure your deduction.

Line 2. If you and another person both used the home to conduct business that qualifies for the deduction, the same area cannot be used by both persons to figure the deduction.

Line 2c. With the other people using the home for qualified business use, determine a reasonable allocation of shared space to your qualified business use. Do not include area that is claimed by another person.

Line 3. If you used your home for more than one qualified business use, the total area that you can use to figure the deduction is still only 300 square feet, not 300 square feet per business use. You may allocate the square footage among your qualified business uses in any reasonable manner, but you may not allocate more square feet to a qualified business use than was actually used.

Line 3d. Allocate part of line 3c to this qualified business use. Do not allocate more square feet to this qualified business use than was actually used during the year. Do not allocate any amount on line 3c to this qualified business use that you allocated to another qualified business use.

Line 6. If you only used the area for this qualified business use for part of the year or the area used for this qualifying business use changed during the year, then you need to figure the average monthly allowable square footage. To do this, use lines 1 through 5 of this worksheet for each month. For example, for January, complete lines 1 through 5 using the area and allocation information for January only; then, enter the result in line 6a, column (ii). If, in any month, you did not have 15 or more days of this qualified business use, enter -0- for that month. For example, if you did not begin using your home for this qualified business use until January 20, enter -0- in line 6a, column (ii).

How To Get Tax Help

If you have questions about a tax issue, need help preparing your tax return, or want to download free publications, forms, or instructions, go to *IRS.gov* and find resources that can help you right away.

Preparing and filing your tax return. After receiving all your wage and earnings statements (Form W-2, W-2G, 1099-R, 1099-MISC, 1099-NEC, etc.); unemployment compensation statements (by mail or in a digital format) or other government payment statements (Form 1099-G); and interest, dividend, and retirement statements from banks and investment firms (Forms 1099), you have several options to choose from to prepare and file your tax return. You can prepare the tax return yourself, see if you qualify for free tax preparation, or hire a tax professional to prepare your return.

Free options for tax preparation. Go to *IRS.gov* to see your options for preparing and filing your return online or in your local community, if you qualify, which include the following.

- **Free File.** This program lets you prepare and file your federal individual income tax return for free using brand-name tax-preparation-and-filing software or Free File fillable forms. However, state tax preparation may not be available through Free File. Go to *IRS.gov/FreeFile* to see if you qualify for free online federal tax preparation, e-filing, and direct deposit or payment options.
- **VITA.** The Volunteer Income Tax Assistance (VITA) program offers free tax help to people with low-to-moderate incomes, persons with disabilities, and limited-English-speaking taxpayers who need help preparing their own tax returns. Go to *IRS.gov/VITA*, download the free IRS2Go app, or call 800-906-9887 for information on free tax return preparation.
- **TCE.** The Tax Counseling for the Elderly (TCE) program offers free tax help for all taxpayers, particularly those who are 60 years of age and older. TCE volunteers specialize in answering questions about pensions and retirement-related issues unique to seniors. Go to *IRS.gov/TCE*, download the free IRS2Go app, or call 888-227-7669 for information on free tax return preparation.
- **MilTax.** Members of the U.S. Armed Forces and qualified veterans may use MilTax, a free tax service offered by the Department of Defense through Military OneSource.

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Also, the IRS offers Free Fillable Forms, which can be completed online and then filed electronically regardless of income.

Using online tools to help prepare your return. Go to *IRS.gov/Tools* for the following.

- The *Earned Income Tax Credit Assistant* (*IRS.gov/EITCAssistant*) determines if you're eligible for the earned income credit (EIC).
- The *Online EIN Application* (*IRS.gov/EIN*) helps you get an employer identification number (EIN).
- The *Tax Withholding Estimator* (*IRS.gov/W4app*) makes it easier for everyone to pay the correct amount of tax during the year. The tool is a convenient, online way to check and tailor your withholding. It's more user-friendly for taxpayers, including retirees and self-employed individuals. The features include the following.
  - Easy to understand language.
  - The ability to switch between screens, correct previous entries, and skip screens that don't apply.
  - Tips and links to help you determine if you qualify for tax credits and deductions.
  - A progress tracker.
  - A self-employment tax feature.
  - Automatic calculation of taxable social security benefits.
- The *First Time Homebuyer Credit Account Look-up* (*IRS.gov/HomeBuyer*) tool provides information on your repayments and account balance.
- The *Sales Tax Deduction Calculator* (*IRS.gov/SalesTax*) figures the amount you can claim if you itemize deductions on Schedule A (Form 1040).

Getting answers to your tax questions. On IRS.gov, you can get up-to-date information on current events and changes in tax law.

- *IRS.gov/Help*: A variety of tools to help you get answers to some of the most common tax questions.
- *IRS.gov/ITA*: The Interactive Tax Assistant, a tool that will ask you questions on a number of tax law topics and provide answers.
- *IRS.gov/Forms*: Find forms, instructions, and publications. You will find details on 2020 tax changes and hundreds of interactive links to help you find answers to your questions.
- You may also be able to access tax law information in your electronic filing software.

Need someone to prepare your tax return? There are various types of tax return preparers, including tax preparers, enrolled agents, certified public accountants (CPAs), attorneys, and many others who don't have professional credentials. If you choose to have someone prepare your tax return, choose that preparer wisely. A paid tax preparer is:

- Primarily responsible for the overall substantive accuracy of your return,
- Required to sign the return, and
- Required to include their preparer tax identification number (PTIN).

Although the tax preparer always signs the return, you're ultimately responsible for providing all the information required for the preparer to accurately prepare your return. Anyone paid to prepare tax returns for others should have a thorough understanding of tax matters. For more information on how to choose a tax preparer, go to *Tips for Choosing a Tax Preparer* on IRS.gov.

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Coronavirus. Go to *IRS.gov/Coronavirus* for links to information on the impact of the coronavirus, as well as tax relief available for individuals and families, small and large businesses, and tax-exempt organizations.

Tax reform. Tax reform legislation affects individuals, businesses, and tax-exempt and government entities. Go to *IRS.gov/TaxReform* for information and updates on how this legislation affects your taxes.

Employers can register to use Business Services Online. The Social Security Administration (SSA) offers online service at *SSA.gov/employer* for fast, free, and secure online W-2 filing options to CPAs, accountants, enrolled agents, and individuals who process Form W-2, Wage and Tax Statement, and Form W-2c, Corrected Wage and Tax Statement.

IRS social media. Go to *IRS.gov/SocialMedia* to see the various social media tools the IRS uses to share the latest information on tax changes, scam alerts, initiatives, products, and services. At the IRS, privacy and security are paramount. We use these tools to share public information with you. **Don't** post your SSN or other confidential information on social media sites. Always protect your identity when using any social networking site.

The following IRS YouTube channels provide short, informative videos on various tax-related topics in English, Spanish, and ASL.

- *Youtube.com/irsvideos*.
- *Youtube.com/irsvideosmultilingua*.
- *Youtube.com/irsvideosASL*.

Watching IRS videos. The IRS Video portal (*IRSVideos.gov*) contains video and audio presentations for individuals, small businesses, and tax professionals.

Online tax information in other languages. You can find information on *IRS.gov/MyLanguage* if English isn't your native language.

Free interpreter service. Multilingual assistance, provided by the IRS, is available at Taxpayer Assistance Centers (TACs) and other IRS offices. Over-the-phone

interpreter service is accessible in more than 350 languages.

Getting tax forms and publications. Go to *IRS.gov/Forms* to view, download, or print all of the forms, instructions, and publications you may need. You can also download and view popular tax publications and instructions (including the Instructions for Forms 1040 and 1040-SR) on mobile devices as an eBook at *IRS.gov/eBooks*. Or you can go to *IRS.gov/OrderForms* to place an order.

Access your online account (individual taxpayers only). Go to *IRS.gov/Account* to securely access information about your federal tax account.

- View the amount you owe, pay online, or set up an online payment agreement.
- Access your tax records online.
- Review your payment history.
- Go to *IRS.gov/SecureAccess* to review the required identity authentication process.

Using direct deposit. The fastest way to receive a tax refund is to file electronically and choose direct deposit, which securely and electronically transfers your refund directly into your financial account. Direct deposit also avoids the possibility that your check could be lost, stolen, or returned undeliverable to the IRS. Eight in 10 taxpayers use direct deposit to receive their refunds. The IRS issues more than 90% of refunds in less than 21 days.

Getting a transcript of your return. The quickest way to get a copy of your tax transcript is to go to *IRS.gov/Transcripts*. Click on either "Get Transcript Online" or "Get Transcript by Mail" to order a free copy of your transcript. If you prefer, you can order your transcript by calling 800-908-9946.

Reporting and resolving your tax-related identity theft issues.

- Tax-related identity theft happens when someone steals your personal information to commit tax fraud. Your taxes can be affected if your SSN is used to file a fraudulent return or to claim a refund or credit.
- The IRS doesn't initiate contact with taxpayers by email, text messages, telephone calls, or social media channels to request personal or financial information. This includes requests for personal identification numbers (PINs), passwords, or similar information for credit cards, banks, or other financial accounts.
- Go to *IRS.gov/IdentityTheft*, the IRS Identity Theft Central webpage, for information on identity theft and data security protection for taxpayers, tax professionals, and businesses. If your SSN has been lost or stolen or you suspect you're a victim of tax-related identity theft, you can learn what steps you should take.
- Get an Identity Protection PIN (IP PIN). IP PINs are six-digit numbers assigned to eligible taxpayers to help prevent the misuse of their SSNs on fraudulent federal income tax returns. When you have an IP PIN, it prevents someone else from filing a tax return with your SSN. To learn more, go to *IRS.gov/IPPIN*.

Checking on the status of your refund.

- Go to *IRS.gov/Refunds*.
- The IRS can't issue refunds before mid-February 2021 for returns that claimed the EIC or the additional child tax credit (ACTC). This applies to the entire refund, not just the portion associated with these credits.
- Download the official IRS2Go app to your mobile device to check your refund status.
- Call the automated refund hotline at 800-829-1954.

Making a tax payment. The IRS uses the latest encryption technology to ensure your electronic payments are safe and secure. You can make electronic payments online, by phone, and from a mobile device using the IRS2Go app. Paying electronically is quick, easy, and faster than mailing in a check or money order. Go to *IRS.gov/Payments* for information on how to make a payment using any of the following options.

- *IRS Direct Pay*: Pay your individual tax bill or estimated tax payment directly from your checking or savings account at no cost to you.
- *Debit or Credit Card*: Choose an approved payment processor to pay online, by phone, or by mobile device.
- *Electronic Funds Withdrawal*: Offered only when filing your federal taxes using tax return preparation software or through a tax professional.
- *Electronic Federal Tax Payment System*: Best option for businesses. Enrollment is required.
- *Check or Money Order*: Mail your payment to the address listed on the notice or instructions.
- *Cash*: You may be able to pay your taxes with cash at a participating retail store.
- *Same-Day Wire*: You may be able to do same-day wire from your financial institution. Contact your financial institution for availability, cost, and cut-off times.

What if I can't pay now? Go to *IRS.gov/Payments* for more information about your options.

- Apply for an *online payment agreement* (*IRS.gov/OPA*) to meet your tax obligation in monthly installments if you can't pay your taxes in full today. Once you complete the online process, you will receive immediate notification of whether your agreement has been approved.
- Use the *Offer in Compromise Pre-Qualifier* to see if you can settle your tax debt for less than the full amount you owe. For more information on the Offer in Compromise program, go to *IRS.gov/OIC*.

Filing an amended return. You can now file Form 1040-X electronically with tax filing software to amend 2019 Forms 1040 and 1040-SR. To do so, you must have

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e-filed your original 2019 return. Amended returns for all prior years must be mailed. See *Tips for taxpayers who need to file an amended tax return* and go to *IRS.gov/Form1040X* for information and updates.

Checking the status of your amended return. Go to *IRS.gov/WMAR* to track the status of Form 1040-X amended returns. Please note that it can take up to 3 weeks from the date you filed your amended return for it to show up in our system, and processing it can take up to 16 weeks.

Understanding an IRS notice or letter you've received. Go to *IRS.gov/Notices* to find additional information about responding to an IRS notice or letter.

Contacting your local IRS office. Keep in mind, many questions can be answered on IRS.gov without visiting an IRS Taxpayer Assistance Center (TAC). Go to *IRS.gov/LetUsHelp* for the topics people ask about most. If you still need help, IRS TACs provide tax help when a tax issue can't be handled online or by phone. All TACs now provide service by appointment, so you'll know in advance that you can get the service you need without long wait times. Before you visit, go to *IRS.gov/TACLocator* to find the nearest TAC and to check hours, available services, and appointment options. Or, on the IRS2Go app, under the Stay Connected tab, choose the Contact Us option and click on "Local Offices."

The Taxpayer Advocate Service (TAS) Is Here To Help You

What Is TAS?

TAS is an ***independent*** organization within the IRS that helps taxpayers and protects taxpayer rights. Their job is to ensure that every taxpayer is treated fairly and that you know and understand your rights under the *Taxpayer Bill of Rights*.

How Can You Learn About Your Taxpayer Rights?

The Taxpayer Bill of Rights describes 10 basic rights that all taxpayers have when dealing with the IRS. Go to *TaxpayerAdvocate.IRS.gov* to help you understand *what these rights mean to you* and how they apply. These are ***your*** rights. Know them. Use them.

What Can TAS Do For You?

TAS can help you resolve problems that you can't resolve with the IRS. And their service is free. If you qualify for their assistance, you will be assigned to one advocate who will work with you throughout the process and will do everything possible to resolve your issue. TAS can help you if:

- Your problem is causing financial difficulty for you, your family, or your business;
- You face (or your business is facing) an immediate threat of adverse action; or
- You've tried repeatedly to contact the IRS but no one has responded, or the IRS hasn't responded by the date promised.

How Can You Reach TAS?

TAS has offices *in every state, the District of Columbia, and Puerto Rico*. Your local advocate's number is in your local directory and at *TaxpayerAdvocate.IRS.gov/Contact-Us*. You can also call them at 877-777-4778.

How Else Does TAS Help Taxpayers?

TAS works to resolve large-scale problems that affect many taxpayers. If you know of one of these broad issues, please report it to them at *IRS.gov/SAMS*.

TAS for Tax Professionals

TAS can provide a variety of information for tax professionals, including tax law updates and guidance, TAS programs, and ways to let TAS know about systemic problems you've seen in your practice.

Low Income Taxpayer Clinics (LITCs)

LITCs are independent from the IRS. LITCs represent individuals whose income is below a certain level and need to resolve tax problems with the IRS, such as audits, appeals, and tax collection disputes. In addition, clinics can provide information about taxpayer rights and responsibilities in different languages for individuals who speak English as a second language. Services are offered for free or a small fee for eligible taxpayers. To find a clinic near you, visit *TaxpayerAdvocate.IRS.gov/about/LITC* or see IRS Pub. 4134, *Low Income Taxpayer Clinic List*.

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Exhibit A. **Family Daycare Provider Meal and Snack Log**

Name of Provider _____

Week of _____ Year_____

Keep For Your Records

Child's Name	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Totals
	Hours of attendance: _____ ☐ Bkfst ☐ Snack ☐ Lunch ☐ Snack ☐ Dinner ☐ Snack	Hours of attendance: _____ ☐ Bkfst ☐ Snack ☐ Lunch ☐ Snack ☐ Dinner ☐ Snack	Hours of attendance: _____ ☐ Bkfst ☐ Snack ☐ Lunch ☐ Snack ☐ Dinner ☐ Snack	Hours of attendance: _____ ☐ Bkfst ☐ Snack ☐ Lunch ☐ Snack ☐ Dinner ☐ Snack	Hours of attendance: _____ ☐ Bkfst ☐ Snack ☐ Lunch ☐ Snack ☐ Dinner ☐ Snack	Hours of attendance: _____ ☐ Bkfst ☐ Snack ☐ Lunch ☐ Snack ☐ Dinner ☐ Snack	Hours of attendance: _____ ☐ Bkfst ☐ Snack ☐ Lunch ☐ Snack ☐ Dinner ☐ Snack	Number served: _____ Breakfasts: _____ Lunches: _____ Dinners: _____ Snacks: _____
	Hours of attendance: _____ ☐ Bkfst ☐ Snack ☐ Lunch ☐ Snack ☐ Dinner ☐ Snack	Hours of attendance: _____ ☐ Bkfst ☐ Snack ☐ Lunch ☐ Snack ☐ Dinner ☐ Snack	Hours of attendance: _____ ☐ Bkfst ☐ Snack ☐ Lunch ☐ Snack ☐ Dinner ☐ Snack	Hours of attendance: _____ ☐ Bkfst ☐ Snack ☐ Lunch ☐ Snack ☐ Dinner ☐ Snack	Hours of attendance: _____ ☐ Bkfst ☐ Snack ☐ Lunch ☐ Snack ☐ Dinner ☐ Snack	Hours of attendance: _____ ☐ Bkfst ☐ Snack ☐ Lunch ☐ Snack ☐ Dinner ☐ Snack	Hours of attendance: _____ ☐ Bkfst ☐ Snack ☐ Lunch ☐ Snack ☐ Dinner ☐ Snack	Number served: _____ Breakfasts: _____ Lunches: _____ Dinners: _____ Snacks: _____
	Hours of attendance: _____ ☐ Bkfst ☐ Snack ☐ Lunch ☐ Snack ☐ Dinner ☐ Snack	Hours of attendance: _____ ☐ Bkfst ☐ Snack ☐ Lunch ☐ Snack ☐ Dinner ☐ Snack	Hours of attendance: _____ ☐ Bkfst ☐ Snack ☐ Lunch ☐ Snack ☐ Dinner ☐ Snack	Hours of attendance: _____ ☐ Bkfst ☐ Snack ☐ Lunch ☐ Snack ☐ Dinner ☐ Snack	Hours of attendance: _____ ☐ Bkfst ☐ Snack ☐ Lunch ☐ Snack ☐ Dinner ☐ Snack	Hours of attendance: _____ ☐ Bkfst ☐ Snack ☐ Lunch ☐ Snack ☐ Dinner ☐ Snack	Hours of attendance: _____ ☐ Bkfst ☐ Snack ☐ Lunch ☐ Snack ☐ Dinner ☐ Snack	Number served: _____ Breakfasts: _____ Lunches: _____ Dinners: _____ Snacks: _____
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Index

To help us develop a more useful index, please let us know if you have ideas for index entries. See "Comments and Suggestions" in the "Introduction" for the ways you can reach us.

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