

IRS News Release

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Reminder To Home-Based Businesses: Simplified Option for Claiming Home Office Deduction Now Available; May Deduct up to \$1,500; Saves 1.6 Million Hours A Year

IRS YouTube Video:

Simplified Home Office Deduction: [English](#) / [Spanish](#) / [ASL](#)

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WASHINGTON — The Internal Revenue Service today reminded people with home-based businesses that this year for the first time they can choose a new simplified option for claiming the deduction for business use of a home.

In tax year 2011, the most recent year for which figures are available, some 3.3 million taxpayers claimed deductions for business use of a home (commonly referred to as the home office deduction) totaling nearly \$10 billion.

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

The new option is available starting with the 2013 return taxpayers are filing now. Normally, home-based businesses are required to fill out a 43-line form ([Form 8829](#)) often with complex calculations of allocated expenses, depreciation and carryovers of unused deductions. Instead, taxpayers claiming the optional deduction need only complete a short worksheet in the tax instructions and enter the result on their return. Self-employed individuals claim the home office deduction on [Schedule C](#) Line 30, farmers claim it on [Schedule F](#) Line 32 and eligible employees claim it on [Schedule A](#) Line 21.

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

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

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

Further details on the home office deduction and the new option can be found in [Publication 587](#), posted on IRS.gov.