



# Instructions for Form 8829

## Expenses for Business Use of Your Home

Section references are to the Internal Revenue Code unless otherwise noted.

### Future Developments

For the latest information about developments related to Form 8829 and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form8829](https://www.irs.gov/Form8829).

### What's New

**Excess real estate taxes.** The itemized deduction of state and local real estate taxes is now subject to a limit. See the Instructions for Schedule A for more information about this limitation. The amount that you can enter on Form 8829, line 11, may not be the full amount of real estate taxes you paid with regard to the business use of your home. The real estate taxes you paid for business use of the home that exceed what can be reported on line 11 will be reported on new line 17.

**Expired tax benefits.** At the time these instructions went to print, the deduction for mortgage insurance premiums, formerly included on lines 10 and 16, and the special recovery periods for qualified Indian reservation property, formerly included on line 41, had expired. You cannot claim a deduction for mortgage insurance premiums for expenses paid or accrued after 2017 or apply the special recovery periods to Indian reservation property placed in service after 2017. To find out if legislation extended these deductions so you can claim them on your 2018 return, go to [IRS.gov/Form8829](https://www.irs.gov/Form8829).

### Reminder

**Simplified method used for 2017.** If you used the simplified method for 2017 but are not using it for 2018, you may have unallowed expenses from a prior year Form 8829 that you can carry over to your 2018 Form 8829. See the instructions for lines 25 and 31.

## General Instructions

### Purpose of Form

Use Form 8829 to figure the allowable expenses for business use of your home on Schedule C (Form 1040) and any carryover to 2019 of amounts not deductible in 2018.

You must meet specific requirements to deduct expenses for the business use of your home. Even if you meet these requirements, your deductible expenses may be limited. Part IV is used to figure any allowable carryover of expenses that are more than the limit. For details, see Pub. 587, Business Use of Your Home.

**Who cannot use Form 8829.** Do not use Form 8829 in the following situations.

- You are claiming expenses for business use of your home as a partner or you are claiming these expenses on Schedule F (Form 1040). Instead, complete the Worksheet To Figure the Deduction for Business Use of Your Home in Pub. 587. (You cannot claim expenses for business use of your home as an employee.)
- All of the expenses for business use of your home are properly allocable to inventory costs. Instead, figure these expenses in Schedule C, Part III.

- You have elected to use the simplified method for this home for 2018. If you had more than one home during the year that you used for business, you can use the simplified method for only one home. Use Form 8829 to claim expenses for business use of the other home. For more information about the simplified method, see the Instructions for Schedule C and Pub. 587.

### Who Can Deduct Expenses for Business Use of a Home

Generally, you can deduct business expenses that apply to a part of your home only if that part is exclusively used on a regular basis:

- As your principal place of business for any of your trades or businesses;
- As a place of business used by your patients, clients, or customers to meet or deal with you in the normal course of your trade or business; or
- In connection with your trade or business if it is a separate structure that is not attached to your home.

As explained later, exceptions to this rule apply to space used on a regular basis for:

- Storage of inventory or product samples, and
- Certain daycare facilities.

### Principal Place of Business

In determining whether the office in your home qualifies as your principal place of business, you must consider the following two items.

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

**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.

**More information.** For information on other ways to qualify to deduct business use of the home expenses, see Pub. 587.

## Storage of Inventory or Product Samples

You also can deduct expenses that apply to space within your home used on a regular basis to store inventory or product samples from your trade or business of selling products at retail or wholesale. Your home must be the only fixed location of your trade or business.

## Daycare Facilities

If you use space in your home on a regular basis in the trade or business of providing daycare, you may be able to deduct the business expenses even though you use the same space for nonbusiness purposes. To qualify for this exception, you must have applied for (and not have been rejected), been granted (and still have in effect), 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.

## Expenses Related to Tax-Exempt Income

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

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# Specific Instructions

## Part I

### Lines 1 and 2

To determine the area on lines 1 and 2, you can use square feet or any other reasonable method if it accurately figures your business percentage on line 7.

Do not include on line 1 the area of your home you used to figure any expenses allocable to inventory costs. The business percentage of these expenses should have been taken into account in Schedule C, Part III.

### Special Computation for Certain Daycare Facilities

If the part of your home used as a daycare facility includes areas used exclusively for business as well as other areas used only partly for business, you cannot figure your business percentage using Part I. Instead, follow these three steps.

1. Figure the business percentage of the part of your home used exclusively for business by dividing the area used exclusively for business by the total area of the home.
2. Figure the business percentage of the part of your home used only partly for business by following the same method used in Part I of the form, but enter on line 1 of your computation only the area of the home used partly for business.
3. Add the business percentages you figured in the first two steps and enter the result on line 7. Attach a statement with your computation and enter "See attached computation" directly above the percentage you entered on line 7.

### Line 4

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 also is used on 50 Saturdays for 8 hours per day. Enter 3,400 hours on line 4 (3,000 hours for weekdays plus 400 hours for Saturdays).

### Line 5

If you started or stopped using your home for daycare in 2018, you must prorate the number of hours based on the number of days the home was available for daycare. Cross out the preprinted entry on line 5. Multiply 24 hours by the number of days available and enter the result.

## Part II

### Line 8

If all the gross income from your trade or business is from the business use of your home, enter on line 8 the amount from Schedule(s) C, line 29, **plus** any gain derived from the business use of your home and shown on Form 8949 (and included on Schedule D (Form 1040)) or Form 4797, **minus** any loss shown on Form 8949 (and included in Schedule D) or Form 4797 that is allocable to the trade or business in which you use your home but is not allocable to the use of the home. If you file more than one Form 8829, include only the income earned and the deductions attributable to that income during the period you owned the home for which Part I was completed.

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 (Schedule C, line 7, and gains from Form 8949, Schedule D, and Form 4797) from the business use of your home. In making this determination, consider the amount of time you spend 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 shown on Schedule C, line 28, plus any losses shown on Form 8949 (and included in Schedule D) or Form 4797 that are allocable to the trade or business in which you use your home but that are not allocable to the use of the home. Enter the result on Form 8829, line 8.

### Columns (a) and (b)

Enter as direct or indirect expenses only expenses for the business use of your home (that is, expenses allowable only because your home is used for business). If you did not operate a business for the entire year, you can deduct only the expenses paid or incurred for the portion of the year you used your home for business. Other expenses not allocable to the business use of your home, such as salaries, supplies, and advertising, are deductible elsewhere on Schedule C and should not be entered on Form 8829.

Direct expenses benefit only the business part of your home. They include painting or repairs made to the specific area or rooms used for business. Enter 100% of your direct expenses on the appropriate line in column (a).

Indirect expenses are for keeping up and running your entire home. They benefit both the business and personal parts of your home. Generally, enter 100% of your indirect expenses on the appropriate line in column (b).

**Exception.** If the business percentage of an indirect expense is different from the percentage on line 7, enter only the business part of the expense on the appropriate line in column (a), and leave that line in column (b) blank. For example, your electric bill is \$800 for lighting, cooking, laundry, and television. If you reasonably estimate \$300 of your electric bill is for lighting and you use 10% of your home for business, enter \$30 on line 21 in column (a). Do not make an entry on line 21 in column (b) for any part of your electric bill.

**Lines 9, 10, and 11**

Use lines 9, 10, and 11 for business use of the home expenses that would have been deductible as a personal expense if you had not used your home for business. These expenses include certain casualty losses, mortgage interest, and real estate taxes.

**Taxpayers claiming the standard deduction.** If you claim the standard deduction, you will not include any mortgage interest or real estate taxes on lines 10 and 11; instead, you will claim the entire business use of the home portion of those expenses using lines 16 and 17. If you are not increasing your standard deduction by a net qualified disaster loss, then you will not include any casualty losses on line 9; instead, you will claim the entire business use of the home portion of your casualty losses on line 29. If you are filing Schedule A to increase your standard deduction by a net qualified disaster loss, see [Casualty losses reported on line 9](#), later.

**TIP** *You may prefer to itemize your deductions on Schedule A to claim amounts on lines 9, 10, and 11, even if your total personal deductions are less than the standard deduction.*

**Casualty losses reported on line 9.** Figure the amount to include in column (b) of line 9 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 9 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 35, 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 29, 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 10.** If you are claiming the standard deduction, do not report an amount on line 10. If you itemize your deductions, figure the amount to include in column (b) of line 10 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 10 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 10. For example, if your business percentage on line 7 is 30%, 70% of the amount you included in column (b) of line 10 is deductible as an itemized deduction on Schedule A.

**Excess mortgage interest.** See the instructions for line 16, 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 10 because of the limits on deducting home mortgage interest as a personal expense.

**Real estate taxes reported on line 11.** If you are claiming the standard deduction, do not report an amount on line 11. If you itemize your deductions, figure the amount to include on line 11 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 11.

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 11.

**Line 11 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 Form 8829, line 7 . . . . . 6. \_\_\_\_\_
7. Subtract line 6 from line 2 . . . . . 7. \_\_\_\_\_
8. Subtract line 6 from line 5 . . . . . 8. \_\_\_\_\_
9. Subtract line 8 from \$10,000 (\$5,000 if married filing separately). If zero or less, enter -0- . . . . . 9. \_\_\_\_\_
10. **Real estate taxes reported on line 11.** Enter the smaller of line 6 or line 9 here and in column (a) of Form 8829, line 11 . . . . . 10. \_\_\_\_\_
11. **Excess real estate taxes reported on line 17.** Subtract line 10 from line 6 . . . . . 11. \_\_\_\_\_

**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.

**Excess real estate taxes.** See the instructions for line 17, later, to deduct the part of your real estate taxes for the home in which you conducted business that is not allowed on line 11

because of the limitation on deducting state and local taxes as a personal expense.

## Line 16

**Taxpayers claiming the standard deduction.** If you are claiming the standard deduction, enter all the home mortgage interest paid for loans used to buy, build, or substantially improve the home in which you conducted business in column (b) of line 16. Do not include mortgage interest 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).

**Taxpayers itemizing deductions on Schedule A.** If the amount you figured in Step 1 under [Mortgage interest reported on line 10](#), earlier, was less than the full amount of interest you paid because of the limits on deducting home mortgage interest 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 16.

**Example.** 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, enter \$3,000 (\$15,000 - \$12,000 = \$3,000) in column (b) of line 16.

## Line 17

**Taxpayers claiming the standard deduction.** 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 17.

**Taxpayers itemizing deductions on Schedule A.** If you used the Line 11 Worksheet to figure the amount to include in column (a) of line 11, then include the amount from line 11 of the Line 11 Worksheet in column (a) of line 17; otherwise, do not enter an amount on line 17.

## Line 19

If you rent rather than own your home, include the rent you paid on line 19, column (b).

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.

## Line 22

Include on this line any 2018 operating expenses not included on lines 9 through 21.

## Line 25

Enter any amount from your 2017 Form 8829, line 42.

If you did not file a 2017 Form 8829, then your carryover of prior year operating expenses is the amount of operating expenses shown in Part IV of the last Form 8829, if any, that you filed to claim a deduction for business use of the home.

For example, if you filed a 2016 Form 8829 and you used the simplified method for 2017 but are not using it for 2018, enter the amount from line 6a of your 2017 Simplified Method Worksheet (or line 42 of your 2016 Form 8829).

## Line 29

Multiply the casualty losses attributable to the home in which you conducted business that are in excess of the amount reported on line 9 (if any) by the business percentage of those losses and enter the result.

## Line 31

Enter any amount from your 2017 Form 8829, line 43.

If you did not file a 2017 Form 8829, then your carryover of prior year excess casualty losses and depreciation is the amount

of excess casualty losses and depreciation shown in Part IV of the last Form 8829, if any, that you filed to claim a deduction for business use of the home.

For example, if you filed a 2016 Form 8829 and you used the simplified method for 2017 but are not using it for 2018, enter the amount from line 6b of your 2017 Simplified Method Worksheet (or line 43 of your 2016 Form 8829).

## Line 35

Enter this amount on Form 4684, line 27, and enter "See Form 8829" above line 27.

## Line 36

If your home was used in more than one business, allocate the amount shown on line 36 to each business using any method that is reasonable under the circumstances. For each business, enter on Schedule C, line 30, only the amount allocated to that business.

## Part III

### Lines 37 Through 40

Enter on line 37 the cost or other basis of your home (including land), or, if less, the fair market value of your home on the date you first used the home for business. Do not adjust this amount for depreciation claimed or changes in fair market value after the year you first used your home for business.

Enter on line 38 the cost or other basis of the land on which your home sits, or, if less, the fair market value of the land on the date you first used the home for business. Do not adjust this amount for changes in fair market value after the year you first used your home for business.

Attach your own statement showing the cost or other basis of additions and improvements, used at least partially for business, that were placed in service after you began to use your home for business. Do not include any amounts on lines 37 through 40 for these expenditures. Instead, see the instructions for line 42.

## Line 41

IF you first used your home for business in the following month in 2018...	THEN enter the following percentage on line 41...
January	2.461%
February	2.247%
March	2.033%
April	1.819%
May	1.605%
June	1.391%
July	1.177%
August	0.963%
September	0.749%
October	0.535%
November	0.321%
December	0.107%

IF you first used your home for business...	THEN the percentage to enter on line 41 is...
after May 12, 1993, and before 2018 (except as noted below),	2.564%.*
after May 12, 1993, and before 1994, and you either started construction or had a binding contract to buy or build that home before May 13, 1993,	the percentage given in Pub. 946.
after May 12, 1993, and you stopped using your home for business before the end of the year,	the percentage given in Pub. 946 as adjusted by the instructions under <i>Sale or Other Disposition Before the Recovery Period Ends</i> in that publication.
after 1986 and before May 13, 1993,	the percentage given in Pub. 946.
before 1987,	the percentage given in Pub. 534, <i>Depreciating Property Placed in Service Before 1987</i> .

**\*Exception.** If the business part of your home was Indian reservation property that met the requirements of section 168(j) when placed in service, see Pub. 946 to figure the depreciation.

**Simplified method used for 2017.** If you used the simplified method for 2017, use the preceding table to find the percentage to enter.

**Example.** You first used your home for business in 2017 and used the simplified method for that year. For 2018, you want to use Form 8829 instead. Enter 2.564%.

## Line 42

If no additions and improvements were placed in service after you began using your home for business, multiply line 40 by the percentage on line 41. Enter the result on lines 42 and 30.

IF additions and improvements were placed in service...	THEN figure the depreciation allowed on these expenditures by multiplying the business part of their cost or other basis by...
during 2018 (but after you began using your home for business),	the percentage in the line 41 instructions for the month placed in service.
after May 12, 1993, and before 2018 (except as noted below),	2.564%.*
after May 12, 1993, and before 1994, and you either started construction or had a binding contract to buy or build that home before May 13, 1993,	the percentage given in Pub. 946.
after May 12, 1993, and you stopped using your home for business before the end of the year,	the percentage given in Pub. 946 as adjusted by the instructions under <i>Sale or Other Disposition Before the Recovery Period Ends</i> in that publication.
after 1986 and before May 13, 1993,	the percentage given in Pub. 946.
before 1987,	the percentage given in Pub. 534.

**\*Exception.** If the business part of your home was Indian reservation property that met the requirements of section 168(j) when placed in service, see Pub. 946 to figure the depreciation.

Attach a statement showing your computation and include the amount you figured in the total for line 42. Enter "See attached" below the entry space.

Complete and attach Form 4562, Depreciation and Amortization, only if:

- You first used your home for business in 2018, or
- You are depreciating additions and improvements placed in service in 2018.

If you first used your home for business in 2018, enter the amounts from Form 8829, lines 40 and 42, in columns (c) and (g) of line 19i, Form 4562. In column (b) of line 19i, enter the month and year you first used your home for business. Do not include the amount from Form 8829, line 42, on Schedule C, line 13.

If you are depreciating additions and improvements placed in service in 2018, enter in column (b) of line 19i on Form 4562 the month and year the additions or improvements were placed in service. Enter the business basis of the additions or improvements in column (c) and the depreciation allowable on the additions or improvements in column (g). Do not include the amount entered in column (g) on Schedule C, line 13.

## Part IV

If your expenses are greater than the current year's limit, you can carry over the excess to 2019. The carryover will be subject to the deduction limit for that year, whether or not you live in the same home during that year.

### Line 43

Figure the amount of operating expenses you can carry over to 2019 by subtracting line 27 from line 26. If the result is zero or less, you have no amount to carry over.

### Line 44

Figure the amount of excess casualty losses and depreciation you can carry over to 2019 by subtracting line 33 from line 32. If the result is zero or less, you have no amount to carry over.

**Paperwork Reduction Act Notice.** For Paperwork Reduction Act Notice, see the Instructions for Form 1040.