

Working from home isn't new, especially for self-employed people. But during the height of the pandemic, millions of jobs were moved from employers' premises to employees' private homes. Many of those workers continue working from home and wonder if they qualify for home office tax deductions.

The short answer is: Only if you're self-employed. As a result of a Tax Cuts and Jobs Act (TCJA) provision — which eliminated the ability to claim miscellaneous itemized deductions — employees can no longer claim home office expenses. (The TCJA is scheduled to expire after 2025, so it's possible this deduction may be restored.)

Even if you're self-employed, the rules are strict to qualify for home office deductions. Here's a rundown.

## What can be written off?

If you qualify, you can deduct "direct" home office expenses, such as painting, repairs and depreciation for office furniture. "Indirect" costs, like a portion of utilities, insurance, depreciation, mortgage interest, real estate taxes and casualty losses, are also deductible. If your home office is your principal place of business, transportation costs between your office and other work locations are deductible rather than considered nondeductible commuting expenses.

## What's deductible?

You can deduct your expenses if you meet any of these [three tests](#):

**1. Your home is your principal place of business.** You can claim deductions if your home office is used to conduct most of your business exclusively and regularly. This requires meeting one of two tests:

- the "management or administrative activities test," where the office is used for tasks and meets specific criteria, or
- the "relative importance test," where the home office is the most critical location for conducting your business.

**2. Your home office is where you meet customers.** You're entitled to deductions if you use your home office exclusively and regularly to meet or deal with patients, clients, or customers. Patients, clients, or customers must physically come to the office.

**3. Your office is in a separate structure.** You're entitled to deductions for an office used exclusively and regularly for business and located in a separate, unattached structure on the same property as your home. For example, this could be an unattached garage, artist's studio, or workshop.

You may also be able to deduct the expenses of specific storage space. Suppose you're selling products at retail or wholesale, and your home is your sole fixed business location. In that case, you can deduct home expenses allocable to space you use to store inventory or product samples.

## Plan ahead

The amount of home office deductions for self-employed taxpayers is subject to various limitations. Proper planning is key to claiming the maximum deductions for home office expenses.

[Contact us](#) if you'd like to discuss your situation.