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THE TAX LAWYER

TAXES 6/28/2014

Work From Home -- Yes, Even Cribside

If you occasionally work at home, should you claim it on your taxes? Claiming that part of your home is business can sound flaky. Still, over half of working Americans work in small business. 52% are home-based and many have home office space. Many employees in big companies work at home too.

Besides, with improved technology, some businesses are going virtual. They may even recruit employees from remote locations who work from [home offices](#). In fact, if you read [Work From Home: The Top 100 Companies Offering Flexible Jobs in 2014](#), you might be pumped up to set up your bedroom or closet as an office and get started. Top industries offering remote work include healthcare, information technology, education, nonprofits, and sales and marketing.

Job titles include sales representative, senior analyst, nurse case manager, account executive, Web or software developer, accountant, and virtual teacher. Check out the [full list of 100 companies most likely to hire remotely in 2014](#). It all dovetails nicely with the fact that the IRS has made it easier to claim home office deductions. But wait, there's more!

Congress may go even further. How much further? The [Working Parents Home Office Act](#), introduced by Senator Mitch McConnell (R-KY), would allow working parents to deduct incidental use for childcare provided while the parents are using a home office space for their business. The bill may not seem like much, but it does take away one big restriction on home office deductions: the concept of *exclusivity*.

In general, to claim a home office deduction the space must be *exclusively* devoted to business. Even something as simple as a TV or a washing machine might nix your claim. This bill would exempt child care activities and related furniture and equipment—like having a crib next to your desk—from the exclusivity requirement. Is that a big deal?



(Photo credit: LizMarie_AK)

It depends on your viewpoint, but it would be a liberalizing change if enacted. Yet even without this bill, home office tax deductions have gotten simpler, especially last year. A [new home office deduction option](#) started in 2013. It offers a simpler way to calculate home office deductions.

Small business owners and employees who work from home and who maintain a home office can deduct up to \$1,500 per year in an easy way. The new option allows qualified taxpayers to annually deduct \$5 per square foot of home office space on up to 300 square feet, for as much as \$1,500 in deductions. To take advantage of the new option, taxpayers will complete a much simpler version of the current 43-line form.

That's right, in most cases, home office deductions involve filling out a 43-line form ([Form 8829](#)). It includes complex calculations of allocated expenses, depreciation and carryovers of unused deductions. A home office must be used regularly and exclusively for business. What's more, the deduction is limited to income from the business. See [Don't Try This at Home: The ABCs of Home Office Or Vacation Home Rental Deductions](#).

It's worth considering the costs and the benefits. Many people who probably qualify for home office deductions just don't bother, figuring that the record-keeping hassles are too high and that the benefits aren't worth the audit risk, whatever it is. Some, on the other hand, relish any tax write-off no matter how strained.

One classic technique? Normally, being *required* to work from home by your employer should mean that you can deduct the cost. That means some employees actually *ask* their employer for a letter saying they have to do it.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.