GUIDE

# Form 8829 and the home office deduction

Form 8829 is how self-employed people filing Schedule C work out the home office deduction using actual costs. You take the business share of mortgage interest or rent, utilities, insurance, repairs and depreciation, based on the space you use regularly and only for business. Or skip the form and use the simplified $5 a square foot method.

QUICK FACTS

- **Who uses it.** Self-employed people deducting actual home office costs
- **Simplified.** $5 per square foot, up to 300 square feet ($1,500), with no Form 8829
- **Key test.** The space must be used regularly and only for business

## Who qualifies for the home office deduction?

Self-employed people, including single-member LLC owners on Schedule C, whose home office is used regularly and exclusively for business, and is either:

- Your principal place of business, which includes doing your admin and management there when you have no other fixed location for it, or
- A place where you meet clients or customers in the normal course of business, or
- A separate structure, like a detached garage studio, used for the business.

A guest room that's also your office fails the exclusive-use test. Storage of inventory or samples and licensed daycare have their own rules. Employees can't take the deduction on their federal return.

## Simplified method or Form 8829?

The simplified method is $5 per square foot of office, up to 300 square feet, so at most $1,500, claimed straight on Schedule C. No depreciation and no Form 8829. The actual-expense method on Form 8829 takes the business percentage of your real costs, and usually gives more for a larger space, higher housing costs or a homeowner who can depreciate. You can switch methods from year to year.

## What expenses go on Form 8829?

The business-use percentage (office square feet divided by the home's) times:



General information, not tax advice for your situation.

- Mortgage interest and real estate taxes, or rent
- Homeowners or renters insurance
- Utilities, internet and HOA fees
- General repairs and maintenance
- Depreciation on the business part of a home you own, over 39 years

Repairs only to the office count in full. The deduction can't exceed your business's net income, and any excess carries forward to next year.

## What happens when I sell the house?

The depreciation you took (or could have taken) after May 6, 1997 is taxed when you sell, up to 25%, even if the rest of your gain is excluded under the home sale exclusion. Usually it's still worth taking. Keep a copy of every Form 8829.

## What about S-Corp and partnership owners?

They don't use Form 8829. An S-Corp can reimburse an owner-employee for the home office under an accountable plan, which is deductible to the company and tax-free to the owner. Partners can deduct unreimbursed partnership expenses if the agreement requires them. See our small business tax deductions list.

## Common questions

**Can I deduct a home office if I also have an office elsewhere?**
Yes, if you meet clients at home, or if you do your admin there and have no other fixed place to do it.

**Does the simplified method need Form 8829?**
No. You claim it directly on Schedule C, line 30.

**Can renters claim the home office deduction?**
Yes. Renters deduct the business share of rent, utilities and insurance.

**Is internet deductible without a home office?**
The business share of your internet and phone can be deducted as a business expense even without a qualifying home office.


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