

# Can you deduct home office expenses?

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Working from home has become commonplace. But just because you have a home office space doesn't mean you can deduct expenses associated with it. And for 2018, even fewer taxpayers will be eligible for a home office deduction.

## Changes under the TCJA

For employees, home office expenses are a miscellaneous itemized deduction. For 2017, this means you'll enjoy a tax benefit only if these expenses plus your other miscellaneous itemized expenses (such as unreimbursed work-related travel, certain professional fees and investment expenses) exceed 2% of your adjusted gross income.

For 2018 through 2025, this means that, if you're an employee, you won't be able to deduct *any* home office expenses. Why? The Tax Cuts and Jobs Act ("TCJA") suspends miscellaneous itemized deductions subject to the 2% floor for this period.

If, however, you're self-employed, you can deduct eligible home office expenses against your self-employment income. Accordingly, the deduction will still be available to you for 2018 through 2025.

## Other eligibility requirements

If you're an employee, your use of your home office must be for your employer's convenience, not just your own. If you're self-employed, generally your home office must be your principal place of business, though there are exceptions.

Whether you're an employee or self-employed, the space must be used regularly (not just occasionally) and *exclusively* for business purposes. If, for example, your home office is also a guest bedroom or your children do their homework there, you can't deduct the expenses associated with that space.

## **2 deduction options**

If you're eligible, the home office deduction can be a valuable tax break. You have two options for the deduction:

1. Deduct a portion of your mortgage interest, property taxes, insurance, utilities and certain other expenses, as well as the depreciation allocable to the office space. This requires calculating, allocating and substantiating actual expenses.
2. Take the "safe harbor" deduction. Only one simple calculation is necessary:  $\$5 \times$  the number of square feet of the office space. The safe harbor deduction is capped at \$1,500 per year, based on a maximum of 300 square feet.

## **More rules and limits**

Be aware that we've covered only a few of the rules and limits here. If you think you may be eligible for the home office deduction on your 2017 return or would like to know if there's anything additional you need to do to be eligible on your 2018 return, please contact us.

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