



Faris & Associates
Expert Tax Resolution

Ten Tax Deductions if You Work from Home

If you work from home, there are a surprising number of things that may be tax-deductible for you, including your prorated share of your rent or mortgage payment, your equipment, and even your utility bills.

The IRS recommends keeping detailed records of the expenses you plan to claim as a deductions. With that in mind, here are 10 items you can write off on your taxes if you work from home.

Home office

If you use part of your home regularly and exclusively to perform activities for your business, you can claim a percentage of your home expenses as a deduction. This percentage is a ration of the square footage of your home used for your business with respect to the total square footage of your home.

"Exclusively is often the part of the test most people fail," Gorman said. "It's also important to remember that the home office deduction can be a hotspot for audits."

Business equipment

Equipment purchased and used at home for your business such as computers, printers, business tools, and supplies are tax deductible.

Business meals

If you're dining out for business, you can deduct 50% of those costs. Be sure to keep records of the date, time, place, the client you met and the business you discussed.

It's also important to note that entertainment expenses are no longer deductible.

Business use of your car

Cost of operating a vehicle for your business is deductible. This deduction can be accomplished in one of two ways; either the actual cost and the depreciation of the vehicle (if vehicle is owned by the business) or a mileage based deduction. Each year the IRS publishes per mile deduction for all business related miles driven.

Travel and lodging

With certain limitations, up to 100% of the cost of business related travel, including rental car expenses, can be deducted. Be sure to keep records.

Utilities

If you run an office from home, a percentage of Electricity, water, trash, gas, telephone and internet bills are deductible.

Qualified business income

The Qualified Business Income, or QBI, deduction will allow you to deduct up to 20% of the net income generated by qualified trades or businesses as long as your taxable income is less than \$157,500 (\$315,000 if filing joint return) and your type of business qualifies.

Insurance premiums

You can deduct self-employed health insurance against your income, as long as they are not COBEA payments. You can also deduct renter insurance and home mortgage insurance for your home office.

Repairs and losses

Things like cleaning your home office and home office repairs can be deducted, Alajian said, as can sudden, unexpected losses due to unusual circumstances in nature, like a fire or flooding.

Retirement plan

Don't forget to fund a retirement plan if you're self-employed.

A SEP IRA, or Simplified Employee Pension Individual Retirement Arrangement, is a traditional type of IRA for self-employed workers.

"You can fund a SEP IRA with the lesser of 25% of total compensation or \$55,000 in 2018, it just has to be funded when you file your return," Gorman said.

Contact Faris & Associates for more details.