

Home office expenses:

When using your home for part or all of the business make sure you keep all receipts for the maintenance, mortgage, taxes, insurance, heat, electricity, water, utilities, etc. that pertain to your house. At year end add all the receipts together for each category then take a percentage of those receipts for the expense for home office or business.

The percentage is obtained by:

$$\frac{\text{square footage of house used for business}}{\text{square footage of total house}} \times 100\% = \text{Business percentage for expense}$$

square footage of total house

$$\frac{200 \text{ sq.ft.}}{2000 \text{ sq.ft.}} \times 100\% = 10\% \text{ of all home expenses are for business}$$

2000 sq.ft.

Attached is a home office summary sheet for your use.

Some key things about home office:

- If you have a shop that is on your property that you use for the business – a percentage of the property tax and mortgage interest can be used as a business expense. You need to figure out how much of your property tax and mortgage pertains to the shop. You can also claim the electricity, heat, insurance, etc. I would recommend having these as a separate bill as then it is very clear what is shop and what is house.
- The above also pertains to farms where the barn and out buildings can be claimed for the farm expenses.
- Renovations and major repairs to your house. Remember these items can only be claimed as a percentage if they pertain to the office or business portion of the house. If you do a major renovation on your basement but your office is upstairs those costs are not for business. Being reasonable is key here.
- I often get the question that I have a home office and meet people in my kitchen as the table is bigger than my desk in my office, so do I claim that? Also, my clients use my bathroom so do I claim that? This is where reasonable comes in full force. Look at things like how often is your kitchen/bathroom used compared to your regular home use? If it is every day, 5 days a week, 8 hours a day then a percentage could be claimed for business use. If it is only on rare occasions, twice a year maybe, then reasonableness comes into play and so just claim your office space.