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WASHINGTON — The Internal Revenue Service today reminded people with home-based businesses filling out their 2014 federal income tax returns that they can choose a simplified method for claiming the deduction for business use of a home.

This is the seventh in a series of 10 daily IRS tips called the Tax Time Guide. These tips are designed to help taxpayers navigate common tax issues as the April 15 deadline approaches.

In tax year 2012, the most recent year for which figures are available, nearly 3.4 million taxpayers claimed deductions of more than \$10 billion for business use of a home, which is commonly referred to as the home office deduction.

Introduced in tax year 2013, the optional deduction is

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designed to reduce the paperwork and recordkeeping burden for small businesses. The optional deduction is capped at \$1,500 per year, based on \$5 a square foot for up to 300 square feet.

Normally, home-based businesses are required to fill out a 43-line form ([Form 8829](#)) often with complex calculations of allocated expenses, depreciation and carryovers of unused deductions. Instead, taxpayers choosing the simplified method need only complete a short worksheet in the tax instructions and enter the result on their tax return. Self-employed individuals claim the home office deduction on [Schedule C](#), Line 30; farmers claim it on [Schedule F](#), Line 32 and eligible employees claim it on [Schedule A](#), Line 21.

Though homeowners using the simplified method cannot depreciate the portion of their home used in a trade or business, they can claim allowable mortgage interest, real estate taxes and casualty losses on the home as itemized deductions on Schedule A. These deductions need not be allocated between personal and business use, as is required under the regular method.

Business expenses unrelated to the home, such as advertising, supplies and wages paid to employees, are still fully deductible. Long-standing restrictions on the home office deduction, such as the requirement that a home office be used regularly and exclusively for business and the limit tied to the income derived from the particular business, still apply under the simplified method.

Further details on the home office deduction and the simplified method can be found in [Publication 587](#) on IRS.gov.

Other tips in the Tax Time Guide series are available on IRS.gov.

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