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CERTIFIED PUBLIC ACCOUNTANTS

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With the change in the economy, many individuals are starting a new business and these businesses are started in the home. We have been asked by many individuals that have started a new business, if a home office deduction may be taken.

Below are some general guidelines for a home office deduction.

Home office – To deduct expenses related to a home office, you must prove that you use the home area exclusively and on a regular basis either as:

- 1) A place of business to meet or deal with patients, clients or customers in the normal course of your business (incidental or occasional meetings do meet this test)
- 2) Your principal place of business. Your home office will qualify as your principal place of business if you spend most of your working time there and most of your business income is attributed to your activities there.

IMPORTANT: Have evidence that you have actual office facilities. Furnish the room as an office – with a desk, files and phone used for business calls only. Also keep a record of work done and business visitors.

Using a home office for Administrative tasks:

A home office deduction may be claimed if you regularly and exclusively use part of your home as the **ONLY** place for conducting the administrative or management activities of your business, or if only minimal administrative work is done outside of your home.

Self employed persons are the beneficiaries of this administrative /management rule. Employees usually may not take advantage of the rule because of the application of the convenience of the employer test to an employee's use of a home office.

There are many scenarios that may or may not qualify a for a home office deduction, please contact our office for more information.