

# IMPORTANT      IMPORTANT      IMPORTANT

## **IF YOU DO NOT READ THIS YOU COULD LOSE DEDUCTIONS AND PAY MORE TAXES**

### **BUSINESS USE OF YOUR HOME**

In an effort to keep you from losing valuable deductions for the business use of your home, you must understand and then follow the law. You are not taking %OFFICE IN HOME+ expenses as you may be thinking. Office in-home expenses pertain to individuals WHO ARE NOT INCORPORATED. Since you are a Corporation or are a Limited Liability Company, you are not an individual using your home as an office. You are an employee of the corporation who uses an office in your home for the convenience of your employer. For the use of your home office the company REIMBURSES you. As a reimbursement, the company gets to deduct the expenses it pays you for the usage of your home; however, you do not have to report the reimbursement as personal income. The key issue is that this is a reimbursement and as such a check must be written to you each month by your employer (your company).

The enclosed %Business Use of Home Worksheet+ is necessary for you to account for the expenses you have paid each month based on your personal cancelled checks and/or other receipts for your home expenses. Many of these expenses have been listed on this form, however, you may experience an expense or two that is not listed and should be listed on the blank lines below %Other Expenses+. Enter each expense you have personally paid that month in its appropriate box and then total each column.

Once you have listed the actual expenses you have paid, and totaled each column, you will need to calculate the business use percentage. Just follow the steps on the form and you will arrive at the business percentage. DIRECT EXPENSES are not subject to this percentage. A direct expense is an expense that is directly associated with the area used as an office. If you paint that office, the paint and supplies are a direct expense because they pertain to that office area only. If you were to paint your whole house, including that office, the expenses would be indirect since they apply to the whole house.

After you have calculated your Business use percentage and the total direct and indirect expenses, **YOU MUST WRITE A CHECK FROM THE BUSINESS TO YOURSELF** for these expenses. **IF YOU DO NOT WRITE A CHECK TO YOURSELF EACH MONTH YOU WILL LOSE THIS VALUABLE DEDUCTION.**

If you do not write yourself a check each month as described above, these expenses will become unreimbursed employee business expenses and can only be reported on your personal return as itemized deductions. When reported on your personal return they are reduced by 2% of your adjusted gross income. Often, when reported on your personal return in this manner, these deductions are reduced to zero and are lost. It is very important that you reimburse yourself each month.

If you do not understand this concept, or the form, please call us. We want to make sure you are doing this properly, and you are getting the tax benefits you work hard to receive.

# Reimbursement Form for Business Use of Home **EXAMPLE**

Description of Expense	Month/Year			
	*Direct Expense		**Indirect Expense	
Association Dues & Fees	.	.	89	0
Electric	.	.	165	18
Insurance	.	.	110	20
Mortgage/Rent paid	.	.	1215	49
Repairs & Maintenance	.	.	24	99
Taxes	.	.	195	23
Utilities (Other than Electric)	.	.		
Water - Sewer	.	.	24	63
Other Expenses: (List)	.	.		
	.	.	110	0
	.	.		
	.	.		
	.	.		
	.	.		
	.	.		
	.	.		
<b>TOTAL EXPENSES</b>	.	.	<b>1934</b>	<b>72</b>

### Business Use %

Square Footage of Office	110
Total Square Footage of Home	2015
% of Business Use (Divide Office Square Footage/Total Square Feet)	5.46%

### Check To Write This Month

Total Indirect Expenses	1934	72
% of Business Use	5.46%	

Indirect Expenses for Business Use
Total Direct Expenses (100%)
Total Check This Month



105	64
673	82
779	46

\* Direct expenses benefit ONLY the office area (wallpaper, carpet, improvements to room used as an office) @ 100%.

\*\* Indirect expenses are expenses incurred for the whole house and can be allocated to office use.

(Cost of home, improvements, furniture & equipment should be reported separately from this form.)

# Reimbursement Form for Business Use of Home **Business Use of Home**

Description of Expense	Month/Year		
	*Direct Expense	**Indirect Expense	
Association Dues & Fees			
Electric			
Insurance			
Mortgage/Rent paid			
Repairs & Maintenance			
Taxes			
Utilities (Other than Electric)			
Water - Sewer			
Other Expenses: (List)			
<b>TOTAL EXPENSES</b>			

**Business Use %**

Square Footage of Office	
Total Square Footage of Home	
% of Business Use (Divide Office Square Footage/Total Square Feet)	

**Check To Write This Month**

Total Indirect Expenses		
% of Business Use		

Indirect Expenses for Business Use	
Total Direct Expenses (100%)	
Total Check This Month	




\* Direct expenses benefit ONLY the office area (wallpaper, carpet, improvements to room used as an office) @ 100%.  
 \*\* Indirect expenses are expenses incurred for the whole house and can be allocated to office use.  
 (Cost of home, improvements, furniture & equipment should be reported separately from this form.)