

**SPECIAL FEDERAL INCOME TAX RULES FOR A HOME BASED BUSINESS:**  
**RULES AND RECOMMENDATIONS**

1. **INTRODUCTION.**

The term “Home Office” for purposes of analyzing this important area of federal income tax law, refers to any home based business space, such as an office workshop, studio, warehouse, retail store, showroom, and similar business space. Such examples correspond to various expenses (deductions) directly related to the space, such as utilities, insurance, property taxes, and similar expenses. Also, the term “home” includes a house, apartment, loft, condominium, trailer, mobile home, or boat.

In addition, failure to qualify for the home office deduction doesn’t prohibit you from operating your business out of your home. It only means that one possibly large expense is not deductible on your federal income tax return (Form 1040). But, you may still deduct all legitimate business expenses other than those directly related to the business space itself.

Furthermore, the home office rules apply to sole proprietors, partners, owners of S corporations, and members (owners) of LLCs. The home-office rules do not apply to C corporations. If you own a C corporation, and work out of your home, you can either take a personal income tax deduction as an employee business expense (if you are eligible and if you itemize deductions on Schedule A of your Form 1040) or you can lease the office to the corporation (at which time you as an individual have rental income to report on your federal income tax return).

For more information, please contact:

The Oxford Law Firm  
Info@oxfordlawfirm.com