**S-Corp Home Office Deduction**

To qualify to deduct expenses for business use of the home you must use a part of your home exclusively and regularly as your principal place of business or exclusively and regularly as a place where you meet or deal with patients, clients, or customers in the normal course of your trade or business.

Taking the home office deduction is fairly simple when you’re a self-employed individual and file Schedule C.  In those instances, you simply indicate on [Form](http://www.irs.gov/pub/irs-pdf/f8829.pdf) 8829 the percentage of your home that is used for work, the costs to maintain your space, and that amount will go on your Schedule C as a deduction.

If you are a member of a partnership or multimember LLC, then you use a similar calculation to the one listed above.  However, you deduct the expenses as unreimbursed partnership expenses on Schedule E.

But what if you’re a member of a S-Corp?  Well, if you still want that home office deduction, just be prepared to do a few workarounds to get it.

25 years ago Congress enacted a law prohibiting the deduction of expenses related to the rental of a portion of one’s home to their employer.  The law was enacted in response to a Supreme Court decision.  The rental arrangement involved was viewed as an attempt to circumvent the purpose of Internal Revenue Code Section 280A, which limits deduction of expenses allocable to the business use of one’s home.

The IRS now recommends that the employee submit an expense report as part of what’s called an “accountable plan.” for deducting home office expenses as an employee of your S-Corp:

* Draft an accountable plan agreement for your company.  It will outline what expenses are eligible for reimbursement, how they will be paid, etc.  I found a sample plan can on the internet that you can use (attached) or you can create your own.
* Calculate the percentage of your home that is used exclusively for business purposes.  Divide the square footage used for business by the total square footage of the home and multiply by 100.
* Calculate the total amount of eligible reimbursable expenses (see Form 8829 above).  Multiply each amount by the percentage of business use calculated in the step above and enter the results on the expense form that you use for your accountable plan.
* Prepare expense reports as the employee and turn them in to your company on a regular basis.  Attach receipts or other documentation to the form to substantiate them.
* Cut the check from the business account and deposit it into your personal account. Attach a copy of the check to the form as documentation that these were paid.
* Enter the amount of the payment into your S corporation’s records as a reimbursement for employee expenses. Post each expense claimed to the appropriate expense account so that these expenses may be deducted from the corporation’s income on its tax return.
1. You will have to actually create the ”accountable plan” and place in your business documents with your Articles of Incorporation (Articles of Organization for an LLC) and other important documents.
2. Using the dates of Dec 1, 2017 to November 30, 2018 calculate the 8829 spread sheet and follow the above instructions to reimburse you as the employee for these business expenses before 12-31-18.
3. If you include interest and taxes in the 8829 calculations and expect to itemize then I will need to adjust your itemized deductions to not include the interest twice.