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Rules for Home Office Deduction Liberalized for 1999

Prior to 1999, the home office deduction was not available to taxpayers whose home office was not the principal place where income was generated, or goods and services were provided. However, beginning in 1999, a home office qualified as the "principal place of business" if the following tests were met:

1. The home office is used for the administrative or management functions of the taxpayer's business, and
2. There is not another fixed location where substantial administrative or management functions are performed.

IRS Publication 587 considers administrative or managerial activities to include billing customers, clients or patients, keeping books and records, ordering supplies, making appointments, and forwarding orders or writing reports.

The liberalization of these rules should enable many more taxpayers with a home office to deduct these expenses.

IMPORTANT DEADLINE: March 31 is the tax planning deadline for creating normal term dependent(s) thereby giving a taxpayer additional dependency deduction(s) as well as child tax credit(s).