Home Office Deduction Guide (2026)

The home office deduction may allow self-employed individuals and small business owners to deduct a portion of home-related expenses when part of the residence is used for business purposes.

1. Qualification Rules

The office space must generally be used regularly and exclusively for business activities. A separate room is not required, but the area should be clearly identifiable as business-use space. The office should also generally function as the principal place of business.

2. Simplified Method

The IRS simplified method allows a deduction of $5 per square foot of qualifying office space, up to 300 square feet. This method avoids detailed expense allocations and recordkeeping.

3. Actual Expense Method

Under this method, taxpayers deduct the business portion of actual home expenses. This may produce a larger deduction but generally requires stronger documentation and calculations.

4. Common Deductible Expenses

Eligible expenses may include rent, mortgage interest, utilities, internet, insurance, repairs, property taxes, and depreciation for homeowners.

5. Business Use Percentage

The deductible percentage is typically calculated by dividing office square footage by total home square footage. Example: 250 sq. ft. office ÷ 2,000 sq. ft. home = 12.5% business use.

6. Records to Keep

Maintain utility bills, lease or mortgage statements, office measurements, photographs of the workspace, and records supporting business activity.

7. Common Audit Risks

The IRS often reviews mixed-use rooms, inflated office measurements, weak documentation, and personal expenses incorrectly classified as business deductions.

Simplified Method Examples

Office Size	Deduction
100 sq. ft.	$500
200 sq. ft.	$1,000
300 sq. ft. (max)	$1,500

This guide is intended for educational purposes only and should not be treated as legal or tax advice. State tax treatment and entity structures may affect deductibility.