

# THE HOME OFFICE DEDUCTION IN 2025:



## WHAT YOU CAN (AND CAN'T) WRITE OFF

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No, you can't write off your couch because your laptop's on it. But if you use part of your home regularly and exclusively for business, the IRS might just reward you for working in your slippers.

**Here's how to make the most of the home office deduction—without crossing any tax lines.**

### WHO QUALIFIES FOR THE HOME OFFICE DEDUCTION

You don't need to own a business empire — even small business owners, freelancers, and certain remote employees can qualify. But the IRS has a few non-negotiable rules:

- **Regular and exclusive use:** The space must be used only for business—not for Netflix, laundry, or family dinners.
- **Principal place of business:** Your home office must be where you do most of your administrative or management work.
- **Meeting clients or patients:** Even if your main office is elsewhere, you can qualify if you regularly meet clients or customers at home.
- **Separate structure rule:** A detached studio, garage, or converted shed used only for business can qualify—even if your main office is elsewhere.

### WHAT YOU CAN DEDUCT

You can claim two types of expenses—**direct** and **indirect**—based on how your space is used.

- **Direct expenses:** Costs only for your office space—think painting the walls, new flooring, or repairs specific to that room. Fully deductible.
- **Indirect expenses:** Shared costs like utilities, rent, mortgage interest, insurance, property taxes, and cleaning services. You can deduct a portion based on the percentage of your home used for business.
- **Depreciation:** If you own your home, you can depreciate the business-use portion over time—optional, but it can increase your deduction.

## HOW TO CALCULATE IT: SIMPLIFIED VS. ACTUAL METHOD

The IRS gives you two ways to calculate your home office deduction. Choose whichever gives you the bigger benefit (and fewer headaches).

### SIMPLIFIED METHOD

\$5 per square foot, up to 300 square feet (maximum deduction \$1,500). **No receipts or detailed record-keeping required.**

### ACTUAL EXPENSE METHOD

Track every eligible expense, calculate the percentage of your home used for business, and apply that rate to your total expenses. **More work, but often yields a higher deduction.**

**Tannery Tip:** If you rent your home, the actual method can be a win. If you own, depreciation and documentation matter—so track carefully.

## COMMON MISTAKES TO AVOID

Even seasoned business owners trip over these rules. Don't let the IRS question your setup because of these avoidable errors:

- **Using the same space for business and personal use.** "Regular and exclusive" means exactly that.
- **Failing to document your workspace.** Take photos, keep a floor plan, or note square footage calculations.
- **Forgetting to adjust after moving.** Each home's layout changes your deduction percentage.
- **Overreaching.** If it's not a true business necessity, don't include it — the IRS knows what a "multi-use room" looks like.

## BOTTOM LINE

When done right, the home office deduction can turn your workspace into a tax-saving machine. When done wrong, it can raise red flags. We'll help you get it right the first time.

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