

# Business Use of Home



**DECAL**  
**Thriving Child Care**  
**Business Academy**

## Learn how business use of home deductions may apply to you and how to use them

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Deducting the business use of your home can be an effective way to mitigate taxes and reflect the true cost of your business. Deducting expenses related to the business use of your home, such as a portion of your rent or mortgage interest, utilities, insurance, and repairs can significantly reduce your taxable income and tax liability.

If done correctly, business use of home deductions can lower your taxable income and lead to an increase in your annual compensation through tax savings. Keep reading to learn how this deduction may apply to you as well as how to use it.

### Who can claim business use of home as a deduction?

Businesses operating out of their home can deduct a percentage of the expenses associated with their home to reduce their taxable income. This can apply to space used to run your business or a home office space. Though typically a business must be operating out of their home to claim a home office space, there are circumstances in which a business owner operating at a different location can claim a home office space as well. How you can claim this deduction will depend on whether you are a family child care business operating out of your home or a center-based business with a home office space.

### Family Child Care Homes

When determining how much of your home is used for business, you'll need to begin with understanding the difference between space that is exclusively used for your business versus spaces that are just regularly used for business:

**Exclusive Use:** Exclusive use in a child care business context means that a specific area of your home is solely dedicated to your child care business activities and is not used for any personal purposes. For instance, if you have a designated playroom that is exclusively used for child care activities and is never used for personal activities such as family gatherings or leisure time, then that space has exclusive use for your child care business. In this scenario, you can claim 100% of the expenses related to that space as business deductions.

**Regular Use:** Regular use refers to spaces in your home that are used both for child care business activities and personal purposes. These areas are used for child care activities part of the time and for personal activities at other times. For example, if you use your living room both for child care activities such as hosting children or conducting educational sessions, and also for personal activities like family movie nights or relaxation, then that space has regular use. In such cases, you need to calculate the percentage of time and space exclusively dedicated to your child care business activities to determine the portion of expenses that can be claimed as business deductions. This is simply calculated by figuring out what percentage of the space in your home is used for your business as well as the percentage of time that space is used for business. You can learn more about how to do your Time/Space Calculation in our [guide](#).

## Child Care Centers

If you operate a child care center and wish to work from home in a dedicated office space, there are key considerations for determining whether you can deduct your home office expenses on your taxes:

- 1. Primary place of business:** The home must be your primary business location. For example, let's say you have an office for someone who does your bookkeeping at your center. But from time to time, you handle an invoice from your home office. This would *not* pass. In contrast, let's say all your financial and bookkeeping work is done from the home office. Likely this *would* pass with the IRS.
- 2. No Alternative Office:** There should be no other viable office option available to you. If you have access to an office space at one of your child care center locations, you are not likely to be eligible to deduct a home office space. However, if the available office space is designated for a center director and you don't have access to it, then you may be able to claim a home office deduction if you have a dedicated space at home used exclusively and regularly for business.
- 3. Exclusive:** Your home office space must be used exclusively and regularly for business purposes, meaning it's not used for personal activities.

Although deducting a home office space is no longer as closely scrutinized by the IRS as it once was, be aware that the IRS can still inspect your home office if you're selected for an audit. Ensure you're following the rules and claiming only space that is exclusively used when no other office option is available.

When claiming your home office space, there are two methods to calculate your costs:

- 1. Actual Cost Method:** Determine the actual costs associated with your home office.

**2. Simplified Option:** Use the IRS standard rate for home offices. Under this method:

- The rate is \$5 per square foot for business use of the home.
- The maximum size eligible for this option is 300 square feet.
- The maximum deduction under this method is \$1,500.

## How can I keep track of which costs to claim?

Whichever option applies to you, you will want to make sure to set up a recordkeeping system and track your expenses regularly to ensure that you are properly deducting your business use of home. This will set you up to easily report your business use of home expenses when you file your taxes each year, saving you time, money, and stress! To set up a system you'll want to:

1. Figure out what files you need to keep and for how long,
2. Decide how you want to store and organize your records,
3. Clearly label your records so you can find everything you need, and
4. Get into the habit of regularly updating your records.

You can learn more about setting up a [record-keeping system](#) in our guide.

## How do I claim business use of home?

[Form 8829](#) is primarily used by individuals who are sole proprietors and who operate their businesses from their homes. Sole proprietors include individuals who are self-employed and have not formed a separate legal entity for their business. They report their business income and expenses on Schedule C (Form 1040) as part of their personal tax return.

While sole proprietors are the most common users of Form 8829, certain individuals who are eligible for the business use of their home deduction, such as qualified child care providers or individuals with rental activities, may also use this form. However, other entities such as partnerships, C corporations and S corporations typically do not use Form 8829 to claim home office expenses. Instead, the owners or members of these entities may be able to claim such expenses as a reimbursement through an accountable plan.

## Need Help?

Using your home for business purposes can be a savvy way to lower your tax burden and accurately reflect the costs of running your business. Whether you're a family child care provider or a child care center operator, understanding the rules and methods for claiming home office expenses is crucial. Remember to keep meticulous records of your expenses and set up a reliable recordkeeping system to support your claims. Overall, navigating the rules surrounding the business use of home deductions can lead to significant tax savings, so it's worth understanding the details and maximizing your

benefits within the guidelines provided. If you need help, don't hesitate to reach out to a business coach or tax professional to learn more.

## **Additional Resources**

**If you have questions or need help, assistance is available.**

[GaPDS Website](#)

[DECAL Thriving Child Care Business Academy Website](#)

**To Find Other Study Guides:** Click on [Resources](#) on the Academy home page

**To Find Training:** Click on [Trainings](#) on the Academy home page

**To Register for Training:** Click on [Schedules & Registration](#) on the Academy home page

**To Sign Up for Study Groups:** Fill out the [Intake Assessment](#)

**For questions about coaching or study groups:** Email [GAcoaching@civstrat.com](mailto:GAcoaching@civstrat.com)

**To Find Other ECE Resources:** Visit the [DECAL Website](#)

**For General Questions about the Academy:** Email [thriving@decal.ga.gov](mailto:thriving@decal.ga.gov)

**For More Information:**

[Family Child Care Learning Home Rules and Regulations](#)

[Child Care Learning Center Rules and Regulations](#)

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