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FINDING A NEW HOME FOR DEDUCTIONS
By: GLORIA MOORE, CPA

With Congress's passage of the Tax Cuts and Jobs Act comes change and planning opportunities. Many of the provisions in the "Act" will become clearer as 2018 unfolds. The increase in the standard deduction will have less taxpayers itemizing deductions. If you are one of the taxpayers who will benefit from taking the standard deduction, you might still be able to deduct a portion of your real estate taxes and home equity interest elsewhere.

For self-employed taxpayers, establishing a home office might be a tax-saving move. The expense of maintaining a home office, including real estate taxes, mortgage interest, utilities, repairs and maintenance, insurance and depreciation, are allocated to the portion of the taxpayer's home used **regularly and exclusively** as a home office. The home office expense reduces taxable income and can save taxpayers federal, state, and self-employment income taxes.

With proper record keeping, the deduction can be surprising. In prior years, the IRS made an effort to curb, what it perceived, as taxpayers' abuse of the home office deduction and offered an alternative simplified calculation method. This method results in a stated dollar amount per square foot with a cap of $1,500. The home office deduction might be the only opportunity to expense real estate taxes, home equity or mortgage loan interest. Presently, the only real estate taxes and mortgage interest that can be allocated to the home office are those that would otherwise be deductible on Schedule A as an itemized deduction. Without further guidance, it is unclear as to whether it is the "Act's" intent to remove home equity interest and real estate taxes from any other schedules on the individual's tax return.

For employees who maintain a home office for the convenience of their employers, the home office deduction was allowed as a Miscellaneous Expense, itemized deduction and had to exceed 2% of the taxpayer's adjusted gross income. The Tax Cuts and Jobs Act disallows any Miscellaneous Expense itemized deductions. For these taxpayers, negotiating an expense reimbursement from their employer or a salary modification would be advised.

There are numerous restrictions on maintaining a home office and a tax benefit today may result in future taxable income if the residence is sold in a later year. If you have questions

about this or any other business or tax issue, please contact your Account Manager or Gloria Moore, CPA at 314-205-2510 or by email at gmoore@connerash.com.