

Business Use of Home

2010

You can deduct expenses for the business use of a work space in your home (BUOH), as long as you meet **one** of these conditions:

- it is your principal place of business; or
- you use the space only to earn your business income, and you use it on a regular and ongoing basis to meet your clients, customers, or patients.

You can deduct a portion of your maintenance costs such as heating, home insurance, electricity, and cleaning materials. You can also deduct a part of your property taxes, mortgage interest, and capital cost allowance. To calculate the part you can deduct, use a reasonable basis such as the area of the work space divided by the total area of your home, or the number of rooms used divided by the total rooms in the house. Most home office areas will fall into the 10% to 15% range.

Expenses incurred in earning income from a business are normally deductible in computing income to the extent they are reasonable. The work space must be used for specified purposes and the relevant expenses cannot exceed the individual's income from the business for a taxation year. Any excess can be carried forward to the immediately following taxation year. BUOH expenses for a taxation year cannot create or increase a loss for income tax purposes from the business for which the work space is used.

As mentioned above, you can deduct a capital cost allowance as a BUOH expense, but it is important to remember that the principal residence protection from capital gains does not apply to a work space for which capital cost allowance has been claimed. Therefore when you sell your home, you will be liable for the tax on a proportionate share of the capital gain.

BUSINESS USE/PERSONAL USE

Area of Home Used for Business	_____	A
Total Area of Home	_____	B
Personal Use Part	_____ %	C

$1 - (A/B) \times 100 = C$

BUSINESS USE OF HOME EXPENSES

Heat/Gas	_____
Electricity	_____
House Insurance	_____
Maintenance	_____
Mortgage Interest	_____
Property Taxes	_____
Rent	_____

Normally found on the year end mortgage statement from your financial institution

Normally found on the property tax notice from the municipal/city hall.