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Business 101 for Translators & Interpreters
Simplified Option for Home Office Deduction

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Translators and interpreters like Terri the Translator and Inez the Interpreter know that the Home Office Deduction can save them money in two ways when it comes time for them to prepare their taxes. First, it allows them to deduct expenses related to their home offices, and second, it qualifies them to deduct expenses related to driving to and from the job site.

Something that is new for their tax returns beginning with the 2013 tax return is the simplified option for the home office deduction that has some major benefits for Terri and Inez.

The simplified option greatly reduces the record-keeping requirements in order to be able to claim the deduction.

Based on the regular option, it is necessary to keep track of actual expenses like the cost for utilities, home improvements, services like pest control or cleaning, etc. With the new simplified option, a standard \$5 per square foot of the space related to the home office can now be deducted. That means that the record-keeping requirement and complicated calculation of the deduction are no longer necessary. Life made simple!

All of the requirements to be qualified to claim a home office deduction remain the same. Those requirements are that the space eligible for the home office deduction be space that is used exclusively and regularly for business purposes. For a refresher on these requirements to be able to claim a home office deduction, please refer to the MICATA Monitor newsletter of 2012-12 found under the MICATA Monitor Newsletter tab

on the MICATA website at www.micata.org. The Monitor with the related information on the mileage deduction is in the Monitor dated 2013-02.

So if your qualified home office is 100 sq.ft., you can claim a deduction of $100 \times \$5 = \500 with the simplified option. Of course, if you do keep excellent records, when you calculate the deduction both ways using the regular method and the simplified option, if the deduction is larger with the regular method, you can take the larger deduction. And next year, when you calculate it both ways, if the deduction is larger with the simplified option, you can use the simplified option. In any year, you can take whichever deduction you choose.

Another benefit of the simplified option is that if you own your home rather than rent it, you are not required to take the depreciation deduction. That means that when you sell your home, you will not be required to recapture the depreciation deduction and pay capital gains tax on that recapture for the years when you use the simplified option. There are also several more details about the simplified option, so as always, it is best to consult with your tax advisor on your particular situation.

For Inez the interpreter in particular who travels from her home office to the hospital, and then to the court, and then to the attorney's office to perform her interpreting work, her mileage expenses get to be substantial throughout the year, and being able to claim a home office deduction provides the basis for being able to deduct her mileage expenses. So the simplified option to claim a home office deduction benefits her greatly.

You can find more information on this new simplified option on the IRS website at: <http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Simplified-Option-for-Home-Office-Deduction>