

Dear Client:

You likely know that the home-office tax deduction provides tax savings to business owners. It turns otherwise nondeductible personal expenses into valuable business deductions.

When you operate your business as a proprietorship, you simply deduct home-office expenses on Schedule C. But when you operate your business as an S corporation, you face special rules to achieve the same benefits.

And then, there's just one right way to get the full benefit of the home-office deduction for your corporation, and that's by using the reimbursement method. The reason the reimbursement method is the one right way is simple—it's the only way that works!

Here's how:

1. As an employee of your corporation, you submit expense reports to your corporation for the expenses of your home office.
2. The corporation reimburses you for the home office and claims 100 percent of the home-office deduction as office space on its corporate tax return.
3. You receive the reimbursement as reimbursed employee business expenses. Such employee reimbursements are not taxable to you.

With the home office at the corporate level, you (the employee) need to submit expense reports that satisfy the rules for the home-office deduction. This can be tricky, and that's where I come in. I can help you with this.

Let's arrange a time when we can get together and go over how you create the proper expense reports for this deduction.

Sincerely,