

Meeting Customers, Clients, or Patients at Home

If you run at least part of your business out of your home, you may be entitled to a home office tax deduction. The rules are strict but have a considerable amount of flexibility if you see clients or customers at home.

If you perform some activities in your home office, and also work outside of your home, you generally can claim home-office deductions only if your home is the principal place of your business or if you regularly meet with customers, clients or patients in your home in the normal course of your business. The latter exception can win you a home-office deduction even if your main business dealings, either in terms of time or revenue, are done elsewhere.

Although some or even most of your business activities are in other locations, you still may be able to claim deductions for a portion of your home that you use exclusively and on a regular basis as a place of business to meet with customers, clients or patients. The IRS allows a limited deduction for expenses allocable to the exclusive use on a regular basis of a dwelling unit as a place of business used by customers, clients or patients in meeting or dealing with the taxpayer in the normal course of the taxpayer's business.

You must physically meet with customers, clients or patients on your premises. In addition, their use of your home must be substantial and integral to the conduct of your business. Typically, doctors, dentists, attorneys, architects and other professionals who work out of their homes will satisfy these requirements.

Here's an example. Anita is a self-employed dentist. Three days a week, she works in her office in the downtown part of her city. Two days a week, she works in her home office, which she uses only for business, where she regularly meets with patients. Anita's home office should qualify for a business deduction because she regularly meets patients there in the normal course of her business, even though her principal office is her downtown location.

There are some important limitations. Occasional meetings in your home do not qualify. Similarly, telephone calls to customers, clients or patients are not enough. The customers, clients or patients must be physically present in your home office. Finally, the area of your home must be used exclusively for business. For example, doing business in your study that is used to read novels and listen to music as well as meet clients will not qualify.