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Tax Deductions for Telecommuting Employees

Equipment Purchases:

Record separately items having a useful life of more than one year. Normally, the costs of such assets are recovered differently on your tax return than are other recurring, everyday business expenses like business cards, office supplies, etc.

Telephone Expenses:

The basic local telephone service costs of the first telephone line provided in your residence are not deductible. However, toll calls from that line are deductible if the calls are business-related. The costs (basic fee and toll calls) of a second line in your home are also deductible if the line is used exclusively for business. When communication equipment, such as a cell phone, is used part for business and part personally the cost of the equipment must be allocated to deductible business use and non-deductible personal use. Keep your bills for cellular phone use and mark all business calls.

Professional Fees & Dues:

Dues paid to professional societies related to your profession are deductible.

Supplies & Expenses:

Generally, to be deductible, items must be ordinary and necessary costs in your profession and not reimbursable by your employer.

Continuing Education:

Educational expenses are deductible under either of two conditions: (1) your employer requires the education in order for you to keep your job or rate of pay; or (2) the education maintains or improves your skills in your profession. Costs of courses that are taken to meet the minimum requirements of a job, or that qualify you for a new trade or business, are NOT deductible.

Auto Travel:

Your auto expense is based on the number of qualified business miles you drive. If you qualify for the home office deduction, your home becomes your primary business location, and you will not have any nondeductible commuting travel. Therefore, generally all of your business travel from home to other business locations and meetings will be deductible.

Document business miles in a record book as follows: (1) give the date and business purpose of each trip; (2) note the place to which you traveled; (3) record the number of business miles; and (4) record your car's odometer reading at both the beginning and end of the tax year. Keep receipts for all car operating expenses – gas, oil, repairs, insurance, etc. – and of any reimbursement you received for your expenses.

Home Office Deduction:

A home office that is part of a residence is deductible only if used regularly and exclusively as a principal place of business, or as a place to meet or deal with customers or clients in the ordinary course of business. Generally, telecommuting employees would meet the "principal place of business" test, i.e., the location where you spend the majority of your time performing your work activities. Additionally, telecommuting employees must meet the "convenience of the employer" test. That test is met if your employer asks you to work out of your home.

Out-of-Town Expenses:

Expenses incurred when traveling away from "home" overnight on job-related and continuing education trips that were not reimbursed or reimbursable by your employer are deductible. Your "home" is generally considered to be the entire city or general area where your principal place of employment is located. Out-of-town expenses include transportation, meals, lodging, tips and miscellaneous items like

laundry, valet, etc.

Document away-from-home expenses by noting the date, destination and business purpose of your trip. Record business miles if you drove to the out-of-town location. In addition, keep a detailed record of your expenses – lodging, public transportation, meals, etc. Always list meals and lodging separately in your records. Receipts must be retained for each lodging expense. However, if any other business expense is less than \$75, a receipt is not necessary if you record all of the information timely in a diary. You must keep track of the full amount of meal and entertainment expenses, even though only a portion of the amount may be deductible.

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