

The IRS Mission

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.

Notes to Students and Instructors

Publication 1066, Student Workbook

Publication 1066, Small Business Workshop Workbook is written so that it can have a shelf life of longer than one year. As a result, you will notice that exhibits of forms show the year as 20XX or 200X.

Publication 1066B, Supplemental Guide

Publication 1066-B, Small Business Workshop Supplemental Guide contains year-specific information to complement the text of the basic workbook. It also contains the answers to the exercises in the Publication 1066, Small Business Workshop Workbook.

Order both

Be sure to order both publications before beginning this course.

Notes for Instructors

**Publication
1066A –
Instructor
Guide**

Publication 1066-A, Small Business Workshop Instructor Guide offers guidance to instructors who teach this course. You can order a paper copy or download it from <http://www.irs.gov/smallbiz> from the Online Classroom.

**Instructor
Slides**

Slide Sets that complement each lesson are available for download from <http://www.irs.gov/smallbiz>

Help Us Improve

Rate Our Products

Please help us improve this educational product by going to our Small Business website at www.irs.gov/smallbiz and clicking on our "**Rate Our Products**" link. We are interested in your suggestions to make this product even better!

Contents

Year-Specific Information for 2004/2005

Lesson 1

Lesson 5

Year Specific Information for 2004/2005

Lesson 1 – Business Tax Requirements

Gross Receipts

Unless otherwise excepted by the Internal Revenue Code, gross income (i.e. gross receipts) means any income derived from or connected to your trade or business. Report gross receipts on line 1 of Form 1040 Schedule C. Examples of common items connected with day care that are includible in gross receipts are:

- Compensation for services
 - Fees based on hourly, daily, weekly, monthly or annual rates
- Registration fees
- Late pick-up/ payment fees
- Subsidy program payments per Form 1099 from the U.S. Dept. of Agriculture, Child and Adult Care Food Program (CACFP)*
- Federal/state food program reimbursements
- Interest bearing accounts
- Dividends from investments
- Proceeds from the sale of assets, i.e., equipment**
- Gifts from children/parents worth \$20.00 or more
- Tips
- Bartering income

*These Federal food program reimbursements (normally arranged through your state and local agencies) provide funds for purchasing food for breakfast, lunches and snacks.

**Recapture income from sale of assets is business income if the deduction was taken on the business return (e.g. Section 179 recapture)

Business Expenses You Can Claim

- Advertising** Deduction for paying or incurring the following advertising expenses:
- Radio
 - Advertisements in telephone directories
 - Local newspaper
 - Church bulletins
 - School and other non-profit organizations
 - Flyers
 - Business Cards
-

- Commissions & Fees** Deduction for payment of fees for such services as:
- Landscaping
 - Substitute teachers, contractual instructors for art, music, etc.
-

- Repairs**
- Repair expenses such as contractors, plumbers, auto mechanics
-

- Insurance**
- General business liability coverage
 - Workmen's compensation coverage
 - Insurance coverage for large assets, such as equipment and building structures
-

- Supplies**
- Office supplies
 - Cleaning supplies
 - Educational and art supplies
 - Diapers and other toiletry items
 - Food (unless separately stated)
 - Toys (items not depreciated)
-

Continued on next page

Business Expenses You Can Claim, Continued

Using a standard rate for meals

You may choose to use a standard rate to claim the deduction for meals provided to children in your care instead of keeping detailed records and receipts of food purchases for use in your business.

Visit [Child Care](#) for additional information and visit the [U.S. Department of Agriculture](#) for the current rates. Also see Revenue Procedure 2003-22.

The standard rate is only available for children in the provider's care who:

- Are minors under parental control and not self-supporting
- Are not full or part-time residents of the home, and
- Whose care is not provided for solely personal reasons

Keeping records when applying the standard rate

The standard rate is allowed for up to one breakfast, one lunch, one dinner, and three snacks per day, per child, provided the meals and snacks are actually purchased and served. Providers must maintain records to substantiate their computation of the total amount deductible. The records must include:

- The name of each eligible child
- Dates and hours of attendance in the family day care, and
- The type and quantity of meals and snacks served

Rates must be used consistently. Use either the standard meal and snack rates or actual costs to calculate the deductible cost of food provided to eligible children. You must use the same rate for all deductible food costs during that taxable year.

Day-care providers not using the standard rate must continue to use the actual cost to calculate the deductible cost of food provided.

Continued on next page

Business Expenses You Can Claim, Continued

Car Expenses

Deductions are allowed for of the expenses of transporting children or other day-care clients to and from:

- School
 - Field trips
 - Medical facilities
 - Picking up supplies, materials, etc.
-

Common depreciable items

Some common depreciable items for day care centers are:

- Playground equipment
 - Some toys
 - Television, VCR, Stereo
 - Piano
 - Computer and other office equipment
 - Furniture
 - Vehicles
 - Buildings
 - Business portion of home
-

Identification Numbers and Form W-10

Taxpayer Identification Numbers

The two most common kinds of taxpayer identification numbers (TIN) are the social security number (SSN) and the employer identification number (EIN). As a day-care provider, you must make your TIN available, along with your name and address, to your customers, so that the IRS can process their tax returns. To facilitate this reporting requirement, you can elect to complete **Form W –10, *Dependent Care Provider's Identification and Certification***.

Penalty for failure to furnish a Taxpayer Identification Number

Internal Revenue Code section 6109(a) requires a provider of dependent care services to furnish a valid taxpayer identification number, even if you are not required to file a return. If you fail to give the taxpayer identification number to your customers, you can be assessed a penalty. See the instructions for Form W-10 for additional information.

Lesson 5 – Business Use of Your Home

State and/or Local Regulatory Requirements

You must meet state and local requirements to claim office in the home deduction

Many states and/or local areas not only define what a child care operation is, but also require that a child care provider be licensed, registered, approved, attend an orientation or seminar, and comply with other regulatory requirements. These requirements may vary considerably from location to location. However, you must be aware of these requirements from the beginning, due to the impact of your compliance with them on your federal taxes. Compliance with these standards is a mandatory requirement of the federal tax code as it applies to an office in the home deduction.

If your state requires you to be licensed and you are not licensed . . .

If your state requires that you are licensed and you fail to obtain the necessary license, you will not be able to claim the home business expenses discussed in this section. See Publication 587, page 11 for information on state and local requirements.

Business Use of the Home for Day-care Providers

Qualifying for the business use of the home deduction

The space used in your home on a regular basis for providing day-care can result in the deduction of a portion of the residence-related expenses as business expenses, even though you use the same space for non-business purposes. To qualify for this business expense deductions, you must meet the following requirements:

1. You must be in the business of providing care for children, persons age 65 or older, or persons who are physically or mentally unable to care for themselves.
2. You must have applied for, been granted, or be exempt from having have a license, certification, registration, or approval as a childcare provider under state law. You do not meet this requirement if your application was rejected or your license or other authorization was revoked.

Figuring the Deduction

If you regularly use part of your home for day-care, figure what part is used for day-care, as described under “Business Percentage” in Publication 1066. If you use that part exclusively for day-care, deduct all of the allocable expenses, subject to the deduction limit.

Exercise A

Example You converted your basement into an area that will be used exclusively to operate your day-care activity. The basement is 1200 square feet. Your home is 3600 square feet. The basement is 33% (1200/3600) of the total area of the home. Thus, your business percentage is 33%. You will be able to claim 33% of the allowable indirect expenses for business use of the home. Schedule C has a tentative profit of \$25,000.

Instructions Complete Form 8829, Business Use of Home as shown in *Figure A*. In Part I, figure the percentage of the home used for business. In Part II figure the deductible expenses.

Expenses Following are the expenses you will use to determine your business use of the home deduction through line 26:

Indirect Expenses:

Mortgage Interest	\$ 6,900	x	33%	= \$ 2,277
Taxes	\$ 750	x	33%	= \$ 248
Insurance	\$ 645	x	33%	= \$ 213
Utilities	\$ 1,500	x	33%	= \$ 495
Roof repair	\$ 875	x	33%	= \$ 289

Figure A

Form 8829		Expenses for Business Use of Your Home		OMB No. 1545-1266	
Department of the Treasury Internal Revenue Service (998)		▶ File only with Schedule C (Form 1040). Use a separate Form 8829 for each home you used for business during the year.		20XX Attachment Sequence No. 66	
Name(s) of proprietor(s)		▶ See separate instructions.		Your social security number	
Part I Part of Your Home Used for Business					
1	Area used regularly and exclusively for business, regularly for day care, or for storage of inventory or product samples (see instructions)			1	
2	Total area of home			2	
3	Divide line 1 by line 2. Enter the result as a percentage			3	%
<p>• For day-care facilities not used exclusively for business, also complete lines 4-6. • All others, skip lines 4-6 and enter the amount from line 3 on line 7.</p>					
4	Multiply days used for day care during year by hours used per day	4	hr		
5	Total hours available for use during the year (365 days x 24 hours) (see instructions)	5	8,760 hr		
6	Divide line 4 by line 5. Enter the result as a decimal amount	6			
7	Business percentage. For day-care facilities not used exclusively for business, multiply line 6 by line 3 (enter the result as a percentage). All others, enter the amount from line 3			7	%
Part II Figure Your Allowable Deduction					
8	Enter the amount from Schedule C, line 29, plus any net gain or (loss) derived from the business use of your home and shown on Schedule D or Form 4797. If more than one place of business, see instructions. See instructions for columns (a) and (b) before completing lines 9-20.			8	
		(a) Direct expenses (b) Indirect expenses			
9	Casualty losses (see instructions)	9			
10	Deductible mortgage interest (see instructions)	10			
11	Real estate taxes (see instructions)	11			
12	Add lines 9, 10, and 11	12			
13	Multiply line 12, column (b) by line 7	13			
14	Add line 12, column (a) and line 13			14	
15	Subtract line 14 from line 8. If zero or less, enter -0-			15	
16	Excess mortgage interest (see instructions)	16			
17	Insurance	17			
18	Repairs and maintenance	18			
19	Utilities	19			
20	Other expenses (see instructions)	20			
21	Add lines 16 through 20	21			
22	Multiply line 21, column (b) by line 7	22			
23	Carryover of operating expenses from 2001 Form 8829, line 41	23			
24	Add line 21 in column (a), line 22, and line 23			24	
25	Allowable operating expenses. Enter the smaller of line 15 or line 24			25	
26	Limit on excess casualty losses and depreciation. Subtract line 25 from line 15			26	
27	Excess casualty losses (see instructions)	27			
28	Depreciation of your home from Part III below	28			
29	Carryover of excess casualty losses and depreciation from 2001 Form 8829, line 42	29			
30	Add lines 27 through 29			30	
31	Allowable excess casualty losses and depreciation. Enter the smaller of line 26 or line 30			31	
32	Add lines 14, 25, and 31			32	
33	Casualty loss portion, if any, from lines 14 and 31. Carry amount to Form 4684, Section B			33	
34	Allowable expenses for business use of your home. Subtract line 33 from line 32. Enter here and on Schedule C, line 30. If your home was used for more than one business, see instructions			34	
Part III Depreciation of Your Home					
35	Enter the smaller of your home's adjusted basis or its fair market value (see instructions)			35	
36	Value of land included on line 35			36	
37	Basis of building. Subtract line 36 from line 35			37	
38	Business basis of building. Multiply line 37 by line 7			38	
39	Depreciation percentage (see instructions)			39	%
40	Depreciation allowable (see instructions). Multiply line 38 by line 39. Enter here and on line 28 above			40	
Part IV Carryover of Unallowed Expenses to 20XX					
41	Operating expenses. Subtract line 25 from line 24. If less than zero, enter -0-			41	
42	Excess casualty losses and depreciation. Subtract line 31 from line 30. If less than zero, enter -0-			42	
For Paperwork Reduction Act Notice, see page 4 of separate instructions.		Cat. No. 13232M		Form 8829	

Regular Use of Home, But Not Exclusive

Regular, but not exclusive, use of part of your home as a day-care facility

If the use of part of your home as a day-care facility is regular, but not exclusive, you must figure what part of available time you actually use it for business. A room that is available for use throughout each business day and is regularly used in your business is considered to be used for day-care business purposes. You do not have to keep records to show the specific hours the area was used for business. You may use the area occasionally for personal reasons.

However, a room you use only occasionally for business does not qualify for the deduction. To find what part of the available time you actually use your home for business, compare the total time used for business to the total time that part of your home can be used for all purposes.

You can compare the hours of business use in a week with the number of hours in a week (168), or you can compare the hours of business use for the year with the number of hours in the year 8,760. (Note: In a leap year, the hours would be 8784.)

Exercise B

Example

Mary Lake uses her basement to operate a day-care business for children. She figures the business percentage of the basement as follows. Square footage of the basement is 1600 square feet. Total square footage of her home is 3,200. The business percentage of the basement area to the total house is 50%. However, the basement is not used exclusively for the day-care operation. Mary must now determine the percentage of time that the basement is available for use. Mary's hours of operation are from 6 am to 6 pm. She is open 5 days per week and only closes for two (2) weeks out of the year

Percentage of indirect expenses

The percentage of indirect expenses she may claim is determined as follows:

1. Business use of basement is 50% (1600/3200)
2. Number of hours available for use (12 hours x 5 days x 50 weeks) = 3000 hours
Total number of hours in the year (24 hours x 365 days)=8,760 total hours per year 3000/8760 = 34.25%
3. Business % allowable for indirect expenses 50% x 34% = 17.13%

Completing Part II of Form 8829

Mary completes Form 8829 as shown in *Figure B*. In Part I, she figures the percentage of her home used for business, including the percentage of time the basement is used. In Part II, Mary figures her deductible expenses. She uses the following information to complete Part II.

Gross income from her day-care business		\$50,000
Expenses not related to the business use of the home		<u>\$25,000</u>
Tentative profit		\$25,000
Rent	\$8,400	
Utilities	\$ 850	
Painting the basement	\$ 500	

Continued on next page

Exercise B, Continued**Making entries on Form 8829, Expenses for Business Use of Your Home**

Mary enters her tentative profit, \$25,000, on line 8. (This figure is the same as the amount on the tentative profit line of her Schedule C.) The expenses she paid for rent and utilities relate to her entire home. Therefore, she enters them in column (b) on the appropriate lines.

She adds these two expenses (line 21) and multiplies the total by the percentage on line 7 and enters the result, \$1,573, on line 22.

Mary paid \$500 to have the basement painted. The painting is a direct expense, so the 50% factor is not considered. However, because she does not use the basement exclusively for day care, she must multiply \$500 by the percentage of time the basement is used for day care (34.25% - line 6). (This is the same 17.13% calculated above without the reduction by the 50% factor.) She enters \$171 ($34.25\% \times \500) on line 18, column (a). She adds lines 21 and 22 and enters \$1,756 ($\$171 + \$1,585$) on line 24. This is less than her deduction limit (line 15), so she can deduct the entire amount.

She completes the rest of Part II by entering \$1,756 on lines 32 and 34. She then carries the \$1,756 to line 30 of her Schedule C (not shown).

Figure B

Form 8829		Expenses for Business Use of Your Home		OMB No. 1545-1266	
Department of the Treasury Internal Revenue Service (998)		▶ File only with Schedule C (Form 1040). Use a separate Form 8829 for each home you used for business during the year. ▶ See separate instructions.		20XX Attachment Sequence No. 66	
Name(s) of proprietor(s)				Your social security number	
Part I Part of Your Home Used for Business					
1	Area used regularly and exclusively for business, regularly for day care, or for storage of inventory or product samples (see instructions)			1	
2	Total area of home			2	
3	Divide line 1 by line 2. Enter the result as a percentage			3	%
<p>• For day-care facilities not used exclusively for business, also complete lines 4-6. • All others, skip lines 4-6 and enter the amount from line 3 on line 7.</p>					
4	Multiply days used for day care during year by hours used per day	4	hr		
5	Total hours available for use during the year (365 days x 24 hours) (see instructions)	5	8,760 hr		
6	Divide line 4 by line 5. Enter the result as a decimal amount	6			
7	Business percentage. For day-care facilities not used exclusively for business, multiply line 6 by line 3 (enter the result as a percentage). All others, enter the amount from line 3			7	%
Part II Figure Your Allowable Deduction					
8	Enter the amount from Schedule C, line 29, plus any net gain or (loss) derived from the business use of your home and shown on Schedule D or Form 4797. If more than one place of business, see instructions. See instructions for columns (a) and (b) before completing lines 9-20.			8	
		(a) Direct expenses	(b) Indirect expenses		
9	Casualty losses (see instructions)	9			
10	Deductible mortgage interest (see instructions)	10			
11	Real estate taxes (see instructions)	11			
12	Add lines 9, 10, and 11	12			
13	Multiply line 12, column (b) by line 7	13			
14	Add line 12, column (a) and line 13	14			
15	Subtract line 14 from line 8. If zero or less, enter -0-	15			
16	Excess mortgage interest (see instructions)	16			
17	Insurance	17			
18	Repairs and maintenance	18			
19	Utilities	19			
20	Other expenses (see instructions)	20			
21	Add lines 16 through 20	21			
22	Multiply line 21, column (b) by line 7	22			
23	Carryover of operating expenses from 2001 Form 8829, line 41	23			
24	Add line 21 in column (a), line 22, and line 23	24			
25	Allowable operating expenses. Enter the smaller of line 15 or line 24	25			
26	Limit on excess casualty losses and depreciation. Subtract line 25 from line 15	26			
27	Excess casualty losses (see instructions)	27			
28	Depreciation of your home from Part III below	28			
29	Carryover of excess casualty losses and depreciation from 2001 Form 8829, line 42	29			
30	Add lines 27 through 29	30			
31	Allowable excess casualty losses and depreciation. Enter the smaller of line 26 or line 30	31			
32	Add lines 14, 25, and 31	32			
33	Casualty loss portion, if any, from lines 14 and 31. Carry amount to Form 4684, Section B	33			
34	Allowable expenses for business use of your home. Subtract line 33 from line 32. Enter here and on Schedule C, line 30. If your home was used for more than one business, see instructions	34			
Part III Depreciation of Your Home					
35	Enter the smaller of your home's adjusted basis or its fair market value (see instructions)	35			
36	Value of land included on line 35	36			
37	Basis of building. Subtract line 36 from line 35	37			
38	Business basis of building. Multiply line 37 by line 7	38			
39	Depreciation percentage (see instructions)	39			%
40	Depreciation allowable (see instructions). Multiply line 38 by line 39. Enter here and on line 28 above	40			
Part IV Carryover of Unallowed Expenses to 20XX					
41	Operating expenses. Subtract line 25 from line 24. If less than zero, enter -0-	41			
42	Excess casualty losses and depreciation. Subtract line 31 from line 30. If less than zero, enter -0-	42			

For Paperwork Reduction Act Notice, see page 4 of separate instructions.

Cat. No. 13212M

Form 8829



Figuring Depreciation

What if Mary Lake owned her house?

The example of Mary Lake involves an individual that pays rent so she would not qualify for depreciation. However, if Mary Lake owned her house, she could qualify to claim depreciation. Note all other facts of the example remain the same, except that she will have mortgage interest, taxes and an amount allowable as depreciation.

Facts about homeowner Mary Lake's house

Mortgage interest	\$8500
Taxes	785
Facts of home:	Purchased in 1992 at a cost of \$150,000.
	The land is valued at \$35,000. The Fair Market Value of the home is \$200,000 when first used as a child-care center.

Figuring Mary's home office deduction

Mortgage interest and Taxes are indirect expenses. Mary claims 17.13% of such expenses. She enters \$8,500 on line 10(b) and \$785 on line 11(b) for the amount of interest and taxes.

On line 12, she enters 17.13 % of the total of the two expenses.

The amount on line 24, other operating expenses remains the same.

Figuring allowable depreciation

The depreciation deduction is figured on lines 35 through 40. On line 35, Mary enters the smaller of the adjusted basis or the fair market value of the property at the time she first used it for business - \$150,000.

On line 36, she enters \$35,000 as the value of the land. You cannot depreciate land.

On line 37, she enters \$115,000 as the basis of the building.

On line 38, she enters 17.13% of \$115,000 to determine her depreciable basis of the home.

On line 39, Mary enters the depreciation percentage for the current year.

Continued on next page

Figuring Depreciation, Continued

Where to find Depreciation Percentage Tables

See Publication 946, How to Depreciate Property, Table A-7a for depreciation percentage tables

Property used for day care is “Non-residential Real Property”

Depreciation is determined by:

- the cost or other basis,
- recovery period,
- the method and convention.

Property used in a day-care activity is classified as Non-residential Real Property and has a recovery period of 39 years. The property must be depreciated using the straight-line method with a midmonth convention.

Calculating Mary’s deduction

If Mary started her business in January, she would calculate her deduction as follows:

1. $\$115,000 \times 17.13\% = \$19,700$
 2. $\$19,700 \times 2.461\% = 485$ (See table on next page.)
-

Figuring Depreciation, Continued

**Sample
Percentage
Table for the
First Year of
Business in
the Home**

See Exhibit A below for a sample of the percentage table for the first year a business would begin operation. Thus, on line 40, Mary enters a deduction of \$485. She also enters this amount on line 28 of Form 8829 and adjusts it accordingly for any limitations.

**Complete
Form 4562 if
this is the
first year
using your
home for
business**

Mary completes and attaches *Form 4562, Depreciation and Amortization* to her return if this is the first year she used her home for business, or if she made an improvement or addition to her home.

Exhibit A

MACRS Percentage Table for 39-Year Nonresidential Real Property

**Month First Used for Business
Percentage To Use**

**1 (January)
2.461%**

**2 (February)
2.247%**

**3 (March)
2.033%**

**4 (April)
1.819%**

**5 (May)
1.605%**

**6 (June)
1.391%**

**7 (July)
1.177%**

**8 (August)
0.963%**

**9 (September)
0.749%**

**10 (October)
0.535%**

**11 (November)
0.321%**

**12 (December)
0.107%**

Answers to Exercises

Figure A

Form 8829		Expenses for Business Use of Your Home		OMB No. 1545-1208	
Department of the Treasury Internal Revenue Service (2004)		▶ File only with Schedule C (Form 1040). Use a separate Form 8829 for each home you used for business during the year. ▶ See separate instructions.		20XX Attachment Sequence No. 66	
Name(s) of proprietor(s)				Your social security number	
Part I Part of Your Home Used for Business					
1	Area used regularly and exclusively for business, regularly for day care, or for storage of inventory or product samples (see instructions)	1	1200		
2	Total area of home	2	3600		
3	Divide line 1 by line 2. Enter the result as a percentage	3	33	%	
• For day-care facilities not used exclusively for business, also complete lines 4-6. • All others, skip lines 4-6 and enter the amount from line 3 on line 7.					
4	Multiply days used for day care during year by hours used per day	4		hr.	
5	Total hours available for use during the year (365 days × 24 hours) (see instructions)	5	8,760	hr.	
6	Divide line 4 by line 5. Enter the result as a decimal amount	6			
7	Business percentage. For day-care facilities not used exclusively for business, multiply line 6 by line 3 (enter the result as a percentage). All others, enter the amount from line 3	7	33	%	
Part II Figure Your Allowable Deduction					
8	Enter the amount from Schedule C, line 28, plus any net gain or (loss) derived from the business use of your home and shown on Schedule D or Form 4797. If more than one place of business, see instructions. See instructions for columns (a) and (b) before completing lines 9-20.	8	25000	00	
		(a) Direct expenses		(b) Indirect expenses	
9	Casualty losses (see instructions)	9			
10	Deductible mortgage interest (see instructions)	10		2277	00
11	Real estate taxes (see instructions)	11		248	00
12	Add lines 9, 10, and 11	12		2525	00
13	Multiply line 12, column (b) by line 7	13		833	25
14	Add line 12, column (a) and line 13	14		833	00
15	Subtract line 14 from line 8. If zero or less, enter -0-	15		24167	00
16	Excess mortgage interest (see instructions)	16			
17	Insurance	17		213	00
18	Repairs and maintenance	18		289	00
19	Utilities	19		495	00
20	Other expenses (see instructions)	20			
21	Add lines 16 through 20	21		997	00
22	Multiply line 21, column (b) by line 7	22		241	67
23	Carryover of operating expenses from 2001 Form 8829, line 41	23			
24	Add line 21 in column (a), line 22, and line 23	24		242	00
25	Allowable operating expenses. Enter the smaller of line 15 or line 24	25		242	00
26	Limit on excess casualty losses and depreciation. Subtract line 25 from line 15	26		23925	00
27	Excess casualty losses (see instructions)	27			
28	Depreciation of your home from Part III below	28			
29	Carryover of excess casualty losses and depreciation from 2001 Form 8829, line 42	29			
30	Add lines 27 through 29	30			
31	Allowable excess casualty losses and depreciation. Enter the smaller of line 25 or line 30	31			
32	Add lines 14, 25, and 31	32			
33	Casualty loss portion, if any, from lines 14 and 31. Carry amount to Form 4684, Section B	33			
34	Allowable expenses for business use of your home. Subtract line 33 from line 32. Enter here and on Schedule C, line 30. If your home was used for more than one business, see instructions	34			
Part III Depreciation of Your Home					
35	Enter the smaller of your home's adjusted basis or its fair market value (see instructions)	35			
36	Value of land included on line 35	36			
37	Basis of building. Subtract line 36 from line 35	37			
38	Business basis of building. Multiply line 37 by line 7	38			
39	Depreciation percentage (see instructions)	39			%
40	Depreciation allowable (see instructions). Multiply line 38 by line 39. Enter here and on line 28 above	40			
Part IV Carryover of Unallowed Expenses to 20XX					
41	Operating expenses. Subtract line 25 from line 24. If less than zero, enter -0-	41			
42	Excess casualty losses and depreciation. Subtract line 31 from line 30. If less than zero, enter -0-	42			

For Paperwork Reduction Act Notice, see page 4 of separate instructions.

Cat. No. 13232M

Form 8829



Figure B

Form 8829		Expenses for Business Use of Your Home		OMB No. 1545-1268	
Department of the Treasury Internal Revenue Service (99)		▶ File only with Schedule C (Form 1040). Use a separate Form 8829 for each home you used for business during the year.		20XX	
Name(s) of proprietor(s) Mary Lake		▶ See separate instructions.		Your social security number 412 99 1234	
Part I Part of Your Home Used for Business					
1	Area used regularly and exclusively for business, regularly for day care, or for storage of inventory or product samples (see instructions)			1	1600
2	Total area of home			2	3200
3	Divide line 1 by line 2. Enter the result as a percentage			3	50 %
<p>• For day-care facilities not used exclusively for business, also complete lines 4-6. • All others, skip lines 4-6 and enter the amount from line 3 on line 7.</p>					
4	Multiply days used for day care during year by hours used per day	4	3,000 hr.		
5	Total hours available for use during the year (365 days × 24 hours) (see instructions)	5	8,760 hr.		
6	Divide line 4 by line 5. Enter the result as a decimal amount	6	.3425		
7	Business percentage. For day-care facilities not used exclusively for business, multiply line 6 by line 3 (enter the result as a percentage). All others, enter the amount from line 3			7	17.13 %
Part II Figure Your Allowable Deduction					
8	Enter the amount from Schedule C, line 29, plus any net gain or (loss) derived from the business use of your home and shown on Schedule D or Form 4797. If more than one place of business, see instructions. See instructions for columns (a) and (b) before completing lines 9-20.			8	25,000 00
9	Casualty losses (see instructions)				
10	Deductible mortgage interest (see instructions)				
11	Real estate taxes (see instructions)				
12	Add lines 9, 10, and 11				
13	Multiply line 12, column (b) by line 7				
14	Add line 12, column (a) and line 13			14	0
15	Subtract line 14 from line 8. If zero or less, enter -0-			15	25,000 00
16	Excess mortgage interest (see instructions)				
17	Insurance				
18	Repairs and maintenance	18	171 00		
19	Utilities	19	850 00		
20	Other expenses (see instructions)	20	8,400 00		
21	Add lines 16 through 20	21	171 00		9,250 00
22	Multiply line 21, column (b) by line 7	22	1,585 00		
23	Carryover of operating expenses from 2001 Form 8829, line 41	23			
24	Add line 21 in column (a), line 22, and line 23	24			1756 00
25	Allowable operating expenses. Enter the smaller of line 15 or line 24	25			1756 00
26	Limit on excess casualty losses and depreciation. Subtract line 25 from line 15	26			23,244 00
27	Excess casualty losses (see instructions)	27			
28	Depreciation of your home from Part III below	28			
29	Carryover of excess casualty losses and depreciation from 2001 Form 8829, line 42	29			
30	Add lines 27 through 29	30			0
31	Allowable excess casualty losses and depreciation. Enter the smaller of line 26 or line 30	31			0
32	Add lines 14, 25, and 31	32			1756 00
33	Casualty loss portion, if any, from lines 14 and 31. Carry amount to Form 4684, Section B	33			0
34	Allowable expenses for business use of your home. Subtract line 33 from line 32. Enter here and on Schedule C, line 30. If your home was used for more than one business, see instructions	34			1756 00
Part III Depreciation of Your Home					
35	Enter the smaller of your home's adjusted basis or its fair market value (see instructions)	35			
36	Value of land included on line 35	36			
37	Basis of building. Subtract line 36 from line 35	37			
38	Business basis of building. Multiply line 37 by line 7	38			
39	Depreciation percentage (see instructions)	39			
40	Depreciation allowable (see instructions). Multiply line 38 by line 39. Enter here and on line 28 above	40			
Part IV Carryover of Unallowed Expenses to 20XX					
41	Operating expenses. Subtract line 25 from line 24. If less than zero, enter -0-	41			
42	Excess casualty losses and depreciation. Subtract line 31 from line 30. If less than zero, enter -0-	42			