**Chapter 14. Home Ownership**

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| --- | --- |
| **LO 1** | **Determine whether a home is principal residence, residence (not principal), or non-residence for tax purposes.**  |
| **LO 2** | **Compute taxable gain on the sale of a residence and explain the requirements for excluding gain on the sale.**  |
| **LO 3** | **Determine the amount of allowable interest expense deductions on loans** **secured by a residence.**  |
| **LO 4** | **Discuss deductibility of real property taxes.**  |
| **LO 5** | **Explain the tax issues and consequences associated with rental use of the home, including determining the deductibility of residential rental real estate losses.**  |
| **LO 6** | **Describe the requirements necessary to qualify for home office deductions and compute the deduction limitations on home office deductions.**  |

Sue rents her vacation home for 60 days and lives there 30 days.
She had these income and expenses for the year.

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| --- | --- | --- | --- | --- | --- | --- | --- |
| **Total Income and Expenses** | **Total** |  |  |  |  |  |  |
| Sue's gross rental income (60 days) | $6,000 |  |  |  |  |  |  |
| Real estate taxes  | $3,650 |  |  |  |  |  |  |
| Mortgage interest expense | $7,300 |  |  |  |  |  |  |
| Utilities & maintenance expense | $6,000 |  |  |  |  |  |  |
| Depreciation  | $9,000 |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |

How much depreciation can be deducted on her tax return, using any approved methods most favorable for the taxpayer?

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| **a.** | $2,600 | **b.** | $2,200 | **c.** | $1,871 | **d.** | $1,600 | **e.** | $200 |  |

Jan and John purchased a new residence on **April 30, 2017.** Jan and John paid the full

amount of the 2017 property taxes of $7,200 on their new house when the taxes became

due in December of 2017. Property taxes for a calendar year are due at the end of the year

in December. What amount of the taxes that Jan and John paid in December 2017

will they deduct on their 2017 federal income tax return?

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| **a.** | Zero | **b.** | $2,400 | **c.** | $4,800 | **d.** | $7,200 | **e.** | Other |  |

Serena is single. She purchased her principal residence three years ago. She lived in the home until she sold it at a $300,000 gain this year. Serena was allowed to exclude $250,000 of the $300,000 gain. What is the character of the $50,000 gain she was not able to exclude?

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| --- | --- | --- | --- | --- |
| **a.** | Ordinary income/gain  | **c.** | Long-term capital gain  |  |
| **b.** | Short-term capital gain | **d.** | Personal gain |  |

Which of the following statements regarding a taxpayer's principal residence is **true** for purposes of determining whether the taxpayer is eligible to exclude gain realized on the sale of the residence?

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| --- | --- | --- |
| **a.** | A taxpayer may have more than one principal residence at any one time. |  |
| **b.** | A houseboat cannot be a taxpayer's principal residence. |
| **c.** | A taxpayer with more than one residence may annually elect which residence is considered to be the principal residence. |
| **d.** | None of the above statements is true |

Which statement regarding the exclusion of gain on the sale of a principal residence is **correct**?

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| --- | --- | --- |
| **a.** | A taxpayer may not exclude gain if the taxpayer is renting the residence at the time of the  |  |
|  | sale. |
| **b.** | A taxpayer may simultaneously own two homes that are eligible for the home sale exclusion. |
| **c.** | A taxpayer must be living in a residence at the time it is sold to qualify for the exclusion. |
| **d.** | For a married couple to qualify for the $500,000 exclusion, both spouses must meet the ownership and use tests. |

Larry owned and lived in a home for five years before marrying Darlene. Larry and Darlene lived in the home for one year before selling it at a $600,000 gain. Larry was the sole owner of the residence until it was sold. How much of the gain may Larry and Darlene exclude?

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **a.** | $0 | **b.** | $250,000 | **c.** | $500,000 | **d.** | $600,000 | **e.** | Other |  |

Shantel owned and lived in a home for five years before marrying Daron. Shantel and Daron lived in the home for two years before selling it at a $700,000 gain. Shantel was the sole owner of the residence until it was sold. How much of the gain may Shantel and Daron exclude?

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **a.** | $0 | **b.** | $250,000 | **c.** | $500,000 | **d.** | $700,000 | **e.** | Other |  |

On November 1, 2016, Jamie (who is single) purchased and moved into her principal residence. In January, 2017, Jamie was laid off from her job. On February 1, 2017, Jamie sold the home at a $35,000 gain. She sold the home because she found a new job in a different state.
How much of the gain, if any, may Jamie exclude from her gross income in 2017?

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **a.** | $0  | **b.** | $3,125  | **c.** | $31,250  | **d.** | $35,000 | **e.** | Other |  |

Dawn (single) purchased her home on June 1, 2003. On June 1, 2016, Dawn moved out of the home. She rented out the home until July 1, 2017 when she sold the home and realized a $230,000 gain (assume none of the gain was attributable to depreciation).
What amount of the gain will Dawn exclude from her 2017 gross income?

|  |  |  |  |  |  |  |  |  |  |  |
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| **a.** | $0 | **b.** | $207,000 | **c.** | $225,000 | **d.** | $230,000 | **e.** | Other |  |

Ethan (single) purchased his home on July 1, 2006. On July 1, 2014, he moved out of the home. He rented the home until July 1, 2016 when he moved back into the home.

On July 1, 2017 he sold the home and realized a $210,000 gain.

What amount of the gain is Ethan allowed to exclude from his 2017 gross income?

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| **a.** | $0 | **b.** | $168,000 | **c.** | $200,000 | **d.** | $210,000 | **e.** | Other |  |

What is the maximum amount of gain on the sale of principal residence a married couple may exclude from gross income?

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **a.** | $0 | **b.** | $25,000 | **c.** | $250,000 | **d.** | $500,000 | **e.** | Other |  |

Which of the following best describes a qualified residence for purposes of determining a taxpayer's deductible home mortgage interest expense?

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| --- | --- | --- |
| **a.** | Only the taxpayer's principal residence. |  |
| **b.** | The taxpayer's principal residence and two other residences (chosen by the taxpayer). |
| **c.** | The taxpayer's principal residence and one other residence (chosen by the taxpayer). |
| **d.** | Any two residences chosen by the taxpayer. |

Which of the following statements regarding interest expense on home-related debt is correct?

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| --- | --- | --- |
| **a.** | Taxpayers may deduct interest expense on a limited amount of home equity indebtedness  |  |
|  | but they may deduct interest expense on an unlimited amount of home acquisition indebtedness. |
| **b.** | Taxpayers may deduct interest expense on a limited amount of acquisition indebtedness but an unlimited amount of home equity indebtedness. |
| **c.** | Taxpayers may deduct interest expense on a limited amount of acquisition indebtedness and a limited amount of home equity indebtedness. |
| **d.** | None of the above statements is correct. |

Patrick purchased a home on January 1, 2017 for $600,000 by making a down payment of $100,000 and financing the remaining $500,000 with a 30-year loan, secured by the residence, at 6 percent. During 2017 Patrick made interest-only payments on the loan of $30,000. On July 1, 2017, when his home was worth $600,000 Patrick borrowed an additional $75,000 secured by the home at an interest rate of 8 percent. During 2017, he made interest-only payments on this loan in the amount of $3,000. What amount of the $33,000 interest expense Patrick paid during 2017 may he deduct as an itemized deduction?

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| **a.** | $0 | **b.** | $3,000 | **c.** | $30,000 | **d.** | $33,000 | **e.** | Other |  |

Patricia purchased a home on January 1, 2017 for $1,200,000 by making a down payment of $100,000 and financing the remaining $1,100,000 with a 30-year loan, secured by the residence, at 6 percent. During 2017, Patricia made interest-only payments on the loan of $66,000. What amount of the $66,000 interest expense Patricia paid during 2017 may she deduct as an itemized deduction?

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **a.** | $0 | **b.** | $6,000 | **c.** | $60,000 | **d.** | $66,000 | **e.** | Other |  |

Lauren purchased a home on January 1, 2016 for $500,000 by making a down payment of $200,000 and financing the remaining $300,000 with a 30-year loan, secured by the residence. During 2016, Lauren made interest-only payments on the loan. On July 1, 2016, when her home was valued at $500,000, she borrowed an additional $150,000, secured by the residence. During 2016, she made interest-only payments on the second loan. Which of the following statements regarding the deductibility of the interest Lauren paid is correct (assume she uses the chronological order of the loans to determine deductible interest expense if a limitation applies)?

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| --- | --- | --- |
| **a.** | Lauren may deduct all of the interest on the first loan but she may deduct only two-thirds  |  |
|  | of the interest on the second loan unless she uses the loan proceeds to substantially improve the home. |
| **b.** | Lauren may deduct all of the interest on the first loan but she may deduct only two-thirds of the interest on the second loan no matter what she does with the proceeds of the second loan. |
| **c.** | Lauren may deduct all of the interest on the first loan or all of the interest on the second loan. |
| **d.** | Lauren may deduct all of the interest on the first loan and all of the interest on the second loan no matter what she does with the loan proceeds. |

Kimberly purchased a home on January 1, 2016 for $500,000 by making a down payment of $200,000 and financing the remaining $300,000 with a 30-year loan, secured by the residence,
at 6 percent. During 2016 and 2017 Kimberly made interest-only payments on the loan in the
amount of $18,000 each year. On July 1, 2016, when her home was worth $500,000, Kimberly
borrowed an additional $125,000 secured by the home at an interest rate of 8 percent.
During 2016, she made interest-only payments on this loan in the amount of $2,500 and during 2017, she made interest only payments on the loan in the amount of $5,000. What is the maximum amount
of the $23,000 interest expense Kimberly paid during 2017 that she may deduct as an itemized deduction, if she used the proceeds of the second loan to pay off student loans from law school?

|  |  |  |  |  |  |  |  |  |  |  |
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| **a.** | $0 | **b.** | $5,000 | **c.** | $18,000 | **d.** | $21,647 | **e.** | $22,000 |  |

Jessica purchased a home on January 1, 2016 for $500,000 by making a down payment of $200,000 and financing the remaining $300,000 with a 30-year loan, secured by the residence, at 6 percent. During 2016 and 2017, Jessica made interest-only payments on the loan of $18,000 (each year). On July 1, 2016, when her home was worth $500,000 Jessica borrowed an additional $125,000 secured by the home at an interest rate of 8 percent. During 2016, she made interest-only payments on this loan in the amount of $5,000. During 2017, she made interest only payments in the amount of $10,000. What is the maximum amount of the $28,000 interest expense Jessica paid during 2017 that she may deduct as an itemized deduction if she used the proceeds of the second loan to finish the basement in her home, landscape the yard, and add a home theater room in the basement of the home?

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| **a.** | $0  | **b.** | $10,000  | **c.** | $26,353  | **d.** | $26,000  | **e.** | $28,000 |  |

 Two years ago, Jaspreet purchased a new home for $500,000 by making a down payment of $400,000 and financing the remaining $100,000 with a loan, secured by the residence, at 6 percent. In 2017, Jaspreet made interest only payments of $6,000 on the $100,000 loan. On January 1, 2017, when his home was valued at $500,000 Jaspreet executed two home equity loans (both secured by the home). The first was for $80,000 at an interest rate of 9 percent. The second home equity loan from a different bank was for $40,000 at an interest rate of 7 percent. In 2017, Jaspreet paid $7,200 of interest payments on the first home equity loan and $2,800 interest expense on the second. Jaspreet used the proceeds from the home-equity loans for purposes unrelated to the home. What is the maximum amount of interest expense Jaspreet can deduct on these loans as home related interest expense?

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **a.** | $6,000 | **b.** | $14,545 | **c.** | $14,600 | **d.** | $16,000 | **e.** | Other |  |

Three years ago, Kris purchased a new home for $200,000 by making a down payment of $150,000 and financing the remaining $50,000 with a loan, secured by the residence, at 6 percent. As of January 1, 2016, the outstanding balance on the loan was $40,000. On January 1, 2016, when his home was worth $300,000, Kris refinanced the home by taking out a $150,000 mortgage at 5 percent. With the loan proceeds, he paid off the $40,000 balance of the existing mortgage and used the remainder for purposes unrelated to the home. During 2016, he made interest only payments on the new loan of $7,500. What amount of the $7,500 interest expense on the new loan can Kris deduct in 2016 on the new mortgage as home related interest expense?

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **a.** | $2,000 | **b.** | $5,000 | **c.** | $7,000 | **d.** | $7,500 | **e.** | Other |  |

 Amanda purchased a home for $1,000,000 in 2001. She paid $200,000 cash and borrowed the remaining $800,000. This is Amanda's only residence. In 2017, when the home had appreciated to $1,500,000 and the remaining mortgage was $600,000, interest rates declined and Amanda refinanced her home.
She borrowed $1,000,000 at the time of the refinancing.
She used the extra $400,000 for travel and jewelry.
What is her total amount of qualifying home-related debt for tax purposes?

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **a.** | $600,000 | **b.** | $700,000 | **c.** | $1,000,000 | **d.** | $1,100,000 | **e.** | Other |  |

On March 31, 2016, Mary borrowed $200,000 to buy her principal residence.

Mary paid 3 points to reduce her interest rate from 6 percent to 5 percent.

The loan is for a 30-year period. What is Mary's 2016 deduction for her points paid?

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **a.** | $50 | **b.** | $150 | **c.** | $4,500 | **d.** | $6,000 | **e.** | Other |  |

Which of these statements about the tax deductibility of points related to a home mortgage is correct?

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| --- | --- | --- |
| **a.** | Points paid in the form of a loan origination fee on an original home loan  |  |
|  | are deductible over the life of the loan. |
| **b.** | Points paid in the form of prepaid interest on an original home loan are deductible over the life of the loan. |
| **c.** | Points paid in the form of prepaid interest on a refinance are deductible over the life of the loan. |
| **d.** | None of the above statements is correct. |

On March 31, 2017, Mary borrowed $200,000 to refinance the original mortgage on her principal residence. Mary paid 3 points to reduce her interest rate from 6 percent to 5 percent.
The loan is for a 30-year period. How much can Mary deduct in 2017 for her points paid?

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **a.** | $200  | **b.** | $150  | **c.** | $4,500  | **d.** | $6,000 | **e.** | Other |  |

Which of the following statements regarding deductions for real property taxes is incorrect?

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| --- | --- | --- |
| **a.** | A taxpayer is not allowed to deduct property taxes as the taxpayer makes monthly  |  |
|  | mortgage payments to an escrow account held by her mortgage company. |
| **b.** | Taxpayers are not allowed to deduct payments made for setting up water and sewer services. |
| **c.** | An individual deducts real property taxes on her principal residence as a for AGI deduction. |
| **d.** | Taxpayers are not allowed to deduct payments made for neighborhood sidewalks. |

Which of the following statements best describes the deductibility of real property taxes when a taxpayer sells real property during a year?

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| --- | --- | --- |
| **a.** | The owner of the property at the time the property taxes are due is responsible for paying  |  |
|  | all of the real property taxes on the property for the year. Consequently, this person is allowed to deduct all of the property taxes for the year. |
| **b.** | Taxpayers are allowed to deduct the real property taxes they actually pay for the year. |
| **c.** | Taxpayers are allowed to deduct the property taxes allocated to the portion of the year that they owned the property |

On July 1 of 2015, Elaine purchased a new home for $400,000. At the time of the purchase, it was estimated that the property tax bill on the home for the year would be $8,000 ($400,000 × 2%). On the settlement statement, Elaine was charged $4,000 for the year in property taxes and the seller was charged $4,000. On December 31, Elaine discovered that the real property taxes on the home for the year were actually $9,000. Elaine wrote a $9,000 check to the local government to pay the taxes for that calendar year (Elaine was liable for the taxes because she owned the property when they became due). What amount of real property taxes may Elaine deduct for 2015?

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **a.** | $0 | **b.** | $4,000 | **c.** | $4,500 | **d.** | $5,000 | **e.** | $9,000 |  |

Which of the following statements regarding personal and/or rental use of a home is false?

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| --- | --- | --- |
| **a.** | A day for which a taxpayer rents a home to an unrelated party for less than the  |  |
|  | property's fair market value is considered to be a personal use day. |
| **b.** | A day for which a taxpayer rents a home to a relative for full fair market value is considered to be a rental use day. |
| **c.** | A day for which an unrelated non-owner stays in the home under a vacation exchange arrangement is considered to be a personal use day. |
| **d.** | A day for which the home is available for rent but is not occupied does not count as a personal use or a rental use day. |

Kenneth lived in his home for the entire year except for when he rented his home (near a very
nice ski resort) to a married couple for 14 days in December. The couple paid Kenneth $14,000 in rent for the two weeks. Kenneth incurred $1,000 in expenses relating to the home for the 14 days.
Which of the following statements accurately describes the manner in which Kenneth should report
his rental receipts and expenses for tax purposes?

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| --- | --- | --- |
| **a.** | Kenneth would include the rental receipts in gross income and deduct the rental expenses  |  |
|  | for AGI. |
| **b.** | Kenneth would exclude the rental receipts from gross income and deduct the rental expenses for AGI. |
| **c.** | Kenneth would include the rental receipts in gross income and would not deduct the rental expenses because he used the residence for personal purposes for most of the year. |
| **d.** | Kenneth would exclude the rental receipts, and he would not deduct the rental expenses. |

Katy owns a second home. During 2017, she used the home for 20 personal use days and 50 rental days. Katy allocates expenses associated with the home between rental use and personal use. Katy did not incur any expenses to obtain tenants. Which of the following statements is correct regarding the tax treatment of Katy's income and expenses from the home?

|  |  |  |
| --- | --- | --- |
| **a.** | Katy includes the rental receipts in gross income and deducts the expenses  |  |
|  | allocated to the rental use of the home for AGI. |
| **b.** | Katy deducts from AGI interest expense and property taxes associated with the home not allocated to the rental use of the home. |
| **c.** | Assuming Katy's rental receipts exceed the interest expense and property taxes allocated to the rental use, Katy's deductible expenses for 2017 may not exceed the amount of her rental receipts (she may not report a loss from the rental property). |
| **d.** | All of the above statements are correct. |

Which of the following statements regarding the IRS and/or Tax Court approaches to allocating home-related expenses between rental use and personal use is correct?

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| --- | --- | --- |
| **a.** | The Tax Court approach allocates more property tax and interest expense to rental  |  |
|  | use than does the IRS approach. |
| **b.** | The Tax Court and the IRS approaches allocate the same amount of expenses other than interest expense and property taxes to rental use. |
| **c.** | The IRS approach allocates interest expense and property taxes to rental use based on the ratio of the number of days of rental use to the total days of the year. |
| **d.** | None of the above statements is correct. |

Brady owns a second home that he rents to others. During the year, he used the second home for 50 days for personal use and for 100 days for rental use. Brady collected $20,000 of rental receipts during the year. Brady allocated $7,000 of interest expense and property taxes, $10,000 of other expenses, and $4,000 of depreciation expense to the rental use. What is Brady's net income from the property and what type and amount of expenses will he carry forward to next year, if any?

|  |  |  |
| --- | --- | --- |
| **a.** | $0 net income. $1,000 depreciation expense carried forward to next year. |  |
| **b.** | ($1,000) net loss. $0 expenses carried over to next year. |
| **c.** | $0 net income. $1,000 of other expense carried over to next year. |
| **d.** | $0 net income. $1,000 of interest expense and property taxes carried over to next year |

Harriet owns a second home that she rents to others. During the year, she used the second home for 10 personal days and for 200 rental days. Which of the following statements regarding the manner in which she should account for her income and/or expenses associated with the home is *incorrect*?

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| --- | --- | --- |
| **a.** | Harriet's deductible expenses are not limited to the amount of gross rental income from  |  |
|  | the property. |
| **b.** | Harriet will be allowed to deduct all of the mortgage interest on the loan secured by the property. |
| **c.** | Harriet is required to include all of the rental receipts in gross income. |
| **d.** | Harriet is required to allocate all expenses associated with the home to rental use or personal use. |

For a home to be considered a rental (nonresidence) property, a taxpayer must

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| --- | --- | --- |
| **a.** | Rent the property for 15 days or more during the year. |  |
| **b.** | Use the property for personal purposes for no more than the greater of (a) 14 days or (b) 10 percent of the total days rented. |
| **c.** | Use the property for personal purposes for no more than the lesser of (a) 14 days or (b) 10 percent of the total days rented. |
| **d.** | A and B |

When a taxpayer experiences a net loss from a nonresidence (rental property)

|  |  |  |
| --- | --- | --- |
| **a.** | The taxpayer will not be allowed to deduct the loss under any circumstance  |  |
|  | if the taxpayer does not have passive income from other sources. |
| **b.** | The loss is fully deductible against the taxpayer's ordinary income no matter the circumstances. |
| **c.** | If the taxpayer is *not* an active participant in the rental, the taxpayer may be allowed to deduct the loss even if the taxpayer does not have any sources of passive income. |
| **d.** | If the taxpayer is not allowed to deduct the loss due to the passive activity limitations, the loss is suspended and carried forward until the taxpayer generates passive income or until the taxpayer sells the property. |

Harvey rents his second home. During 2017, Harvey reported a net loss of $35,000 from the rental. If Harvey is an active participant in the rental and his AGI is $80,000, how much of the loss can he deduct against ordinary income for 2017?

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **a.** | $35,000 | **b.** | $25,000 | **c.** | $5,000 | **d.** | $0 | **e.** | Other |  |

Irene rents her second home. During 2017, Irene reported a net loss of $15,000 from the rental.
Irene is an active participant in the rental and her AGI is $140,000.
How much of the loss can she deduct against ordinary income in 2017?

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **a.** | $15,000 | **b.** | $10,000 | **c.** | $5,000 | **d.** | $0 | **e.** | Other |  |

Jamison is self-employed and he works out of an office in his home. After allocating the home-related expenses between the business office and the rest of the home, which of the following statements regarding the sequence of deductibility of the expenses allocated to the home office business use is correct?

|  |  |  |
| --- | --- | --- |
| **a.** | Depreciation expense, other expenses, property taxes and interest expense |  |
| **b.** | Other expenses, depreciation expense, property taxes and interest expense |
| **c.** | Property taxes and interest expense, depreciation expense, other expenses |
| **d.** | Other expenses, property taxes and interest expense, depreciation expense |
| **e.** | None of the above statements is correct. |

Which of the following statements regarding limitations on the deductibility of home office expenses of employees is correct?

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| --- | --- | --- |
| **a.** | Deductible home office expenses of employees are miscellaneous itemized  |  |
|  | deductions subject to the 2 percent of AGI floor. |
| **b.** | Deductible home office expenses of employees are miscellaneous itemized deductions not subject to the 2 percent floor. |
| **c.** | Deductible home office expenses of employees are for AGI deductions limited to gross income from the business. |
| **d.** | Deductible home office expenses of employees are for AGI deductions not limited to gross income from the business. |

Which of the following statements regarding the home office expense deduction is correct?

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| --- | --- | --- |
| **a.** | Taxpayers allocate expenses of the home to the home office  |  |
|  | based on the size of the office relative to the size of the home. |
| **b.** | A taxpayer is not allowed to deduct any home office expenses unless the taxpayer has no other place to do business. |
| **c.** | A taxpayer is not allowed to deduct any depreciation associated with a home as a home office expense. |
| **d.** | A taxpayer must own a home in order to claim home office expenses. |