

26 USC 280A: Disallowance of certain expenses in connection with business use of home, rental of vacation homes, etc.

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From Title 26-INTERNAL REVENUE CODE

Subtitle A-Income Taxes

CHAPTER 1-NORMAL TAXES AND SURTAXES

Subchapter B-Computation of Taxable Income

PART IX-ITEMS NOT DEDUCTIBLE

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§280A. Disallowance of certain expenses in connection with business use of home, rental of vacation homes, etc.

(a) General rule

Except as otherwise provided in this section, in the case of a taxpayer who is an individual or an S corporation, no deduction otherwise allowable under this chapter shall be allowed with respect to the use of a dwelling unit which is used by the taxpayer during the taxable year as a residence.

(b) Exception for interest, taxes, casualty losses, etc.

Subsection (a) shall not apply to any deduction allowable to the taxpayer without regard to its connection with his trade or business (or with his income-producing activity).

(c) Exceptions for certain business or rental use; limitation on deductions for such use

(1) Certain business use

Subsection (a) shall not apply to any item to the extent such item is allocable to a portion of the dwelling unit which is exclusively used on a regular basis-

(A) as the principal place of business for any trade or business of the taxpayer,

(B) as a place of business which is used by patients, clients, or customers in meeting or dealing with the taxpayer in the normal course of his trade or business, or

(C) in the case of a separate structure which is not attached to the dwelling unit, in connection with the taxpayer's trade or business.

In the case of an employee, the preceding sentence shall apply only if the exclusive use referred to in the preceding sentence is for the convenience of his employer. For purposes of subparagraph (A), the term "principal place of business" includes a place of business which is used by the taxpayer for the administrative or management activities of any trade or business of the taxpayer if there is no other fixed location of such trade or business where the taxpayer conducts substantial administrative or management activities of such trade or business.

(2) Certain storage use

Subsection (a) shall not apply to any item to the extent such item is allocable to space within the dwelling unit which is used on a regular basis as a storage unit for the inventory or product samples of the taxpayer held for use in the taxpayer's trade or business of selling products at retail or wholesale, but only if the dwelling unit is the sole fixed location of such trade or business.

(3) Rental use

Subsection (a) shall not apply to any item which is attributable to the rental of the dwelling unit or portion thereof (determined after the application of subsection (e)).

(4) Use in providing day care services

(A) In general

Subsection (a) shall not apply to any item to the extent that such item is allocable to the use of any portion of the dwelling unit on a regular basis in the taxpayer's trade or business of providing day care for children, for individuals who have attained age 65, or for individuals who are physically or mentally incapable of caring for themselves.

(B) Licensing, etc., requirement

Subparagraph (A) shall apply to items accruing for a period only if the owner or operator of the trade or business referred to in subparagraph (A)-

- (i) has applied for (and such application has not been rejected),
- (ii) has been granted (and such granting has not been revoked), or
- (iii) is exempt from having,

a license, certification, registration, or approval as a day care center or as a family or group day care home under the provisions of any applicable State law. This subparagraph shall apply only to items accruing in periods beginning on or after the first day of the first month which begins more than 90 days after the date of the enactment of the Tax Reduction and Simplification Act of 1977.

(C) Allocation formula

If a portion of the taxpayer's dwelling unit used for the purposes described in subparagraph (A) is not used exclusively for those purposes, the amount of the expenses attributable to that portion shall not exceed an amount which bears the same ratio to the total amount of the items allocable to such portion as the number of hours the portion is used for such purposes bears to the number of hours the portion is available for use.

(5) Limitation on deductions

In the case of a use described in paragraph (1), (2), or (4), and in the case of a use described in paragraph (3) where the dwelling unit is used by the taxpayer during the taxable year as a residence, the deductions allowed under this chapter for the taxable year by reason of being attributed to such use shall not exceed the excess of-

- (A) the gross income derived from such use for the taxable year, over
- (B) the sum of-
 - (i) the deductions allocable to such use which are allowable under this chapter for the taxable year whether or not such unit (or portion thereof) was so used, and
 - (ii) the deductions allocable to the trade or business (or rental activity) in which such use occurs (but which are not allocable to such use) for such taxable year.

Any amount not allowable as a deduction under this chapter by reason of the preceding sentence shall be taken into account as a deduction (allocable to such use) under this chapter for the succeeding taxable year. Any amount taken into account for any taxable year under the preceding sentence shall be subject to the limitation of the 1st sentence of this paragraph whether or not the dwelling unit is used as a residence during such taxable year.

(6) Treatment of rental to employer

Paragraphs (1) and (3) shall not apply to any item which is attributable to the rental of the dwelling unit (or any portion thereof) by the taxpayer to his employer during any period in which the taxpayer uses the dwelling unit (or portion) in performing services as an employee of the employer.

(d) Use as residence

(1) In general

For purposes of this section, a taxpayer uses a dwelling unit during the taxable year as a residence if he uses such unit (or portion thereof) for personal purposes for a number of days which exceeds the greater of-

- (A) 14 days, or
- (B) 10 percent of the number of days during such year for which such unit is rented at a fair rental.

For purposes of subparagraph (B), a unit shall not be treated as rented at a fair rental for any day for which it is used for personal purposes.

(2) Personal use of unit

For purposes of this section, the taxpayer shall be deemed to have used a dwelling unit for personal purposes for a day if, for any part of such day, the unit is used-

- (A) for personal purposes by the taxpayer or any other person who has an interest in such unit, or by any member of the family (as defined in section 267(c)(4)) of the taxpayer or such other person;
- (B) by any individual who uses the unit under an arrangement which enables the taxpayer to use some other dwelling unit (whether or not a rental is charged for the use of such other unit); or
- (C) by any individual (other than an employee with respect to whose use section 119 applies), unless for such day the dwelling unit is rented for a rental which, under the facts and circumstances, is fair rental.

The Secretary shall prescribe regulations with respect to the circumstances under which use of the unit for repairs and annual maintenance will not constitute personal use under this paragraph, except that if the taxpayer is engaged in repair and maintenance on a substantially full time basis for any day, such authority shall not allow the Secretary to treat a dwelling unit as being used for personal use by the taxpayer on such day merely because other individuals who are on the premises on such day are not so engaged.

(3) Rental to family member, etc., for use as principal residence

(A) In general

A taxpayer shall not be treated as using a dwelling unit for personal purposes by reason of a rental arrangement for any period if for such period such dwelling unit is rented, at a fair rental, to any person for use as such person's principal residence.

(B) Special rules for rental to person having interest in unit

(i) Rental must be pursuant to shared equity financing agreement

Subparagraph (A) shall apply to a rental to a person who has an interest in the dwelling unit only if such rental is pursuant to a shared equity financing agreement.

(ii) Determination of fair rental

In the case of a rental pursuant to a shared equity financing agreement, fair rental shall be determined as of the time the agreement is entered into and by taking into account the occupant's qualified ownership interest.

(C) Shared equity financing agreement

For purposes of this paragraph, the term "shared equity financing agreement" means an agreement under which-

- (i) 2 or more persons acquire qualified ownership interests in a dwelling unit, and
- (ii) the person (or persons) holding 1 or more of such interests-
 - (I) is entitled to occupy the dwelling unit for use as a principal residence, and
 - (II) is required to pay rent to 1 or more other persons holding qualified ownership interests in the dwelling unit.

(D) Qualified ownership interest

For purposes of this paragraph, the term "qualified ownership interest" means an undivided interest for more than 50 years in the entire dwelling unit and appurtenant land being acquired in the transaction to which the shared equity financing agreement relates.

(4) Rental of principal residence

(A) In general

For purposes of applying subsection (c)(5) to deductions allocable to a qualified rental period, a taxpayer shall not be considered to have used a dwelling unit for personal purposes for any day during the taxable year which occurs before or after a qualified rental period described in subparagraph (B)(i), or before a qualified rental period described in subparagraph (B)(ii), if with respect to such day such unit constitutes the principal residence (within the meaning of section 121) of the taxpayer.

(B) Qualified rental period

For purposes of subparagraph (A), the term "qualified rental period" means a consecutive period of-

- (i) 12 or more months which begins or ends in such taxable year, or
- (ii) less than 12 months which begins in such taxable year and at the end of which such dwelling unit is sold or exchanged, and

for which such unit is rented, or is held for rental, at a fair rental.

(e) Expenses attributable to rental

(1) In general

In any case where a taxpayer who is an individual or an S corporation uses a dwelling unit for personal purposes on any day during the taxable year (whether or not he is treated under this section as using such unit as a residence), the amount deductible under this chapter with respect to expenses attributable to the rental of the unit (or portion thereof) for the taxable year shall not exceed an amount which bears the same relationship to such expenses as the number of days during each year that the unit (or portion thereof) is rented at a fair rental bears to the total number of days during such year that the unit (or portion thereof) is used.

(2) Exception for deductions otherwise allowable

This subsection shall not apply with respect to deductions which would be allowable under this chapter for the taxable year whether or not such unit (or portion thereof) was rented.

(f) Definitions and special rules

(1) Dwelling unit defined

For purposes of this section-

(A) In general

The term "dwelling unit" includes a house, apartment, condominium, mobile home, boat, or similar property, and all structures or other property appurtenant to such dwelling unit.

(B) Exception

The term "dwelling unit" does not include that portion of a unit which is used exclusively as a hotel, motel, inn, or similar establishment.

(2) Personal use by shareholders of S corporation

In the case of an S corporation, subparagraphs (A) and (B) of subsection (d)(2) shall be applied by substituting "any shareholder of the S corporation" for "the taxpayer" each place it appears.

(3) Coordination with section 183

If subsection (a) applies with respect to any dwelling unit (or portion thereof) for the taxable year-

(A) section 183 (relating to activities not engaged in for profit) shall not apply to such unit (or portion thereof) for such year, but

(B) such year shall be taken into account as a taxable year for purposes of applying subsection (d) of section 183 (relating to 5-year presumption).

(4) Coordination with section 162(a)(2)

Nothing in this section shall be construed to disallow any deduction allowable under section 162(a)(2) (or any deduction which meets the tests of section 162(a)(2) but is allowable under another provision of this title) by reason of the taxpayer's being away from home in the pursuit of a trade or business (other than the trade or business of renting dwelling units).

(g) Special rule for certain rental use

Notwithstanding any other provision of this section or section 183, if a dwelling unit is used during the taxable year by the taxpayer as a residence and such dwelling unit is actually rented for less than 15 days during the taxable year, then-

(1) no deduction otherwise allowable under this chapter because of the rental use of such dwelling unit shall be allowed, and

(2) the income derived from such use for the taxable year shall not be included in the gross income of such taxpayer under section 61.

(Added Pub. L. 94-455, title VI, §601(a), Oct. 4, 1976, 90 Stat. 1569 ; amended Pub. L. 95-30, title III, §306(a), (b), May 23, 1977, 91 Stat. 152 , 153; Pub. L. 95-600, title VII, §701(h)(1), Nov. 6, 1978, 92 Stat. 2904 ; Pub. L. 97-119, title I, §113(a)-(d), Dec. 29, 1981, 95 Stat. 1641 , 1642; Pub. L. 97-216, title II, §215(b), July 18, 1982, 96 Stat. 194 ; Pub. L. 97-354, §5(a)(26), Oct. 19, 1982, 96 Stat. 1694 ; Pub. L. 99-514, title I, §143(b), (c), Oct. 22, 1986, 100 Stat. 2120 ; Pub. L. 100-647, title I, §1001(h)(1), (2), Nov. 10, 1988, 102 Stat. 3352 ; Pub. L. 104-188, title I, §§1113(a), 1704(t)(39), Aug. 20, 1996, 110 Stat. 1759 , 1889; Pub. L. 105-34, title III, §312(d)(1), title IX, §932(a), Aug. 5, 1997, 111 Stat. 839 , 881.)

EDITORIAL NOTES

REFERENCES IN TEXT

The date of enactment of the Tax Reduction and Simplification Act of 1977, referred to in subsec. (c)(4) (B), is the date of enactment of Pub. L. 95-30, 91 Stat. 126 , which was May 23, 1977.

AMENDMENTS

1997-Subsec. (c)(1). Pub. L. 105-34, §932(a), inserted at end "For purposes of subparagraph (A), the term 'principal place of business' includes a place of business which is used by the taxpayer for the administrative or management activities of any trade or business of the taxpayer if there is no other fixed location of such trade or business where the taxpayer conducts substantial administrative or management activities of such trade or business."

Subsec. (d)(4)(A). Pub. L. 105-34, §312(d)(1), substituted "section 121" for "section 1034".

1996-Subsec. (c)(1)(A). Pub. L. 104-188, §1704(t)(39), amended subpar. (A) generally. Prior to amendment, subpar. (A) read as follows: "the principal place of business for any trade or business of the taxpayer."

Subsec. (c)(2). Pub. L. 104-188, §1113(a), substituted "inventory or product samples" for "inventory".

1988-Subsec. (c)(5). Pub. L. 100-647 inserted "(or rental activity)" after "trade or business" in subpar. (B) (ii) and inserted at end "Any amount taken into account for any taxable year under the preceding sentence shall be subject to the limitation of the 1st sentence of this paragraph whether or not the dwelling unit is used as a residence during such taxable year."

1986-Subsec. (c)(5)(B). Pub. L. 99-514, §143(c), added subpar. (B) and struck out former subpar. (B) which read as follows: "the deductions allocable to such use which are allowable under this chapter for the taxable year whether or not such unit (or portion thereof) was so used."

Subsec. (c)(6). Pub. L. 99-514, §143(b), added par. (6).

1982-Subsecs. (a), (e)(1). Pub. L. 97-354, §5(a)(26)(A), (B), substituted "an S corporation" for "an electing small business corporation".

Subsec. (f)(2). Pub. L. 97-354, §5(a)(26)(C), substituted "shareholders of S corporation" for "electing small business corporation" in subsec. heading, substituted "an S corporation" for "an electing small business corporation" and "any shareholder of the S corporation" for "any shareholder of the electing small business corporation".

Subsec. (f)(4). Pub. L. 97-216 struck out ", etc." after "section 162(a)(2)" in heading, struck out "(A) In general.-" before "Nothing in this section", and struck out subpar. (B) which directed the Secretary to prescribe amounts deductible (without substantiation) pursuant to last sentence of section 162(a) and that no other provisions of this title could permit such a deduction for any taxable year of amounts in excess of the amounts determined to be appropriate under the circumstances.

1981-Subsec. (c)(1)(A). Pub. L. 97-119, §113(c), substituted "the principal place of business for any trade or business of the taxpayer" for "as the taxpayer's principal place of business".

Subsec. (d)(2). Pub. L. 97-119, §113(d), inserted in provision following subpar. (C) ", except that if the taxpayer is engaged in repair and maintenance on a substantially full time basis for any day, such authority shall not allow the Secretary to treat a dwelling unit as being used for personal use by the taxpayer on such day merely because other individuals who are on the premises on such day are not so engaged".

Subsec. (d)(3), (4). Pub. L. 97-119, §113(a), added par. (3), redesignated former par. (3) as (4) and struck out "to a person other than a member of the family (as defined in section 267(c)(4)) of the taxpayer" after "such unit is rented" in subpar. (B).

Subsec. (f)(4). Pub. L. 97-119, §113(b)(1), added par. (4).

1978-Subsec. (d)(3). Pub. L. 95-600 added par. (3).

1977-Subsec. (c)(4), (5). Pub. L. 95-30 added par. (4), redesignated former par. (4) as (5) and substituted "paragraph (1), (2), or (4)" for "paragraph (1) or (2)" in introductory provisions.

STATUTORY NOTES AND RELATED SUBSIDIARIES

EFFECTIVE DATE OF 1997 AMENDMENT

Amendment by section 312(d)(1) of Pub. L. 105-34 applicable to sales and exchanges after May 6, 1997, with certain exceptions, see section 312(d) of Pub. L. 105-34, set out as a note under section 121 of this title.

Pub. L. 105-34, [title IX, §932\(b\), Aug. 5, 1997](#), 111 Stat. 881, provided that: "The amendment made by subsection (a) [amending this section] shall apply to taxable years beginning after December 31, 1998."

EFFECTIVE DATE OF 1996 AMENDMENT

Pub. L. 104-188, [title I, §1113\(b\), Aug. 20, 1996](#), 110 Stat. 1759, provided that: "The amendment made by subsection (a) [amending this section] shall apply to taxable years beginning after December 31, 1995."

EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100-647 effective, except as otherwise provided, as if included in the provision of the Tax Reform Act of 1986, Pub. L. 99-514, to which such amendment relates, see section 1019(a) of Pub. L. 100-647, set out as a note under section 1 of this title.

EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by Pub. L. 99-514 applicable to taxable years beginning after Dec. 31, 1986, see section 151(a) of Pub. L. 99-514, set out as a note under section 1 of this title.

EFFECTIVE DATES OF 1982 AMENDMENT

Amendment by Pub. L. 97-354 applicable to taxable years beginning after Dec. 31, 1982, see section 6(a) of Pub. L. 97-354, set out as an Effective Date note under section 1361 of this title.

Amendment by Pub. L. 97-216 applicable to taxable years beginning after Dec. 31, 1981, see section 215(d) of Pub. L. 97-216, set out as a note under section 162 of this title.

EFFECTIVE DATE OF 1981 AMENDMENT

Pub. L. 97-119, [title I, §113\(e\), Dec. 29, 1981](#), 95 Stat. 1642, provided that: "The amendments made by this section [amending this section] shall apply to taxable years beginning after December 31, 1975, except that in the case of taxable years beginning after December 31, 1975, and before January 1, 1980, the amendment made by this section shall apply only to taxable years for which, on the date of the enactment of this Act [Dec. 29, 1981], the making of a refund, or the assessment of a deficiency, was not barred by law or any rule of law."

EFFECTIVE DATE OF 1978 AMENDMENT

Pub. L. 95-600, [title VII, §701\(h\)\(2\)](#), [Nov. 6, 1978](#), 92 Stat. 2904 , as amended by Pub. L. 99-514, [§2](#), [Oct. 22, 1986](#), 100 Stat. 2095 , provided that: "The amendment made by paragraph (1) [amending this section] shall take effect as if included in section 280A of the Internal Revenue Code of 1986 [formerly I.R.C. 1954], as such provision was added to such Code by section 601(a) of the Tax Reform Act of 1976 [Pub. L. 94-455, [title VI, §601\(a\)](#), [Oct. 4, 1976](#), 90 Stat. 1569]."

EFFECTIVE DATE OF 1977 AMENDMENT

Pub. L. 95-30, [title III, §306\(c\)](#), [May 23, 1977](#), 91 Stat. 153 , provided that: "The amendments made by this section [amending this section] shall apply to taxable years beginning after December 31, 1975."

EFFECTIVE DATE

Pub. L. 94-455, [title VI, §601\(c\)](#), [Oct. 4, 1976](#), 90 Stat. 1572 , provided that: "The amendments made by this section [enacting this section and amending the analysis of sections preceding section 261 of this title] shall apply to taxable years beginning after December 31, 1975."