

WASHINGTON D.C. – Today, U.S. Senators Olympia J. Snowe (R-Maine) and Kent Conrad (D-N.D.) along with U.S. Rep. Charles A. Gonzalez (D-Texas) announced the *Home Office Tax Deduction Simplification and Improvement Act of 2009*, bipartisan, bicameral legislation to establish an optional home office deduction to help ease the burden of the complex tax code on American small businesses. Under current law, a home office tax deduction can be utilized by qualified individuals who use a portion of their home as a principal place of business or as a space to meet with patients or clients. Although recent research from the Small Business Administration (SBA) indicates roughly 53 percent of America's small businesses are home-based, few of these firms actually take advantage of the tax incentive due to complex and rigid reporting regulations. *The Home Office Tax Deduction Simplification and Improvement Act of 2009* would direct the Secretary of the Treasury to establish an optional, easy-to-use standard deduction to encourage greater use of the incentive.

“With a morass of paperwork attributable to the home office deduction, the time-consuming process of navigating the tangled web of rules and regulations makes it unsurprising that so many small business owners forego the home office deduction,” said Senator Snowe, Ranking Member of the Senate Committee on Small Business and Entrepreneurship. “By simplifying this vital tax incentive, our bill will give small firms much needed relief from burdensome tax rules, which in turn, will allow them to focus their efforts on developing new, cutting-edge 21st century products and services and creating new jobs.”

“More than half of small businesses in the country are based in the home, but the current home office deduction rules are so complicated that many business owners take a pass. It is our hope that we can help simplify this part of the tax code, and eventually see this deduction actually become a tool to promote the growth of more small businesses, and more jobs and economic activity, in America,” Senator Conrad said.

“Home-based businesses are one of the fastest growing segments of our nation, providing jobs and nurturing our economy,” said Rep. Gonzalez. “To maximize the job creation role that small businesses can play in our economy, they need the right tools, which we are helping to provide by simplifying the tax deduction regulations. Our bill provides the provisions to help small businesses flourish. In this troubled economy, I encourage all those eligible to take advantage of this key incentive that will make a positive contribution to our economy by making the home deduction process easier for the nearly 53 percent of American small businesses run from home.”

In addition to instituting an optional home office tax deduction, the *Home Office Tax Deduction Simplification and Improvement Act of 2009* would require the IRS to streamline its reporting requirements to clearly identify the portion of the deduction devoted to real estate taxes, mortgage interest, and depreciation in order to further reduce the burden on the taxpayer. The measure would also update the tax code to ease the burden of proof in claiming the deduction. Specifically, it would allow the

home office deduction to be taken if the taxpayer uses part of the home to meet or deal with clients regardless of whether the clients are physically present and allow for de minimis use of business space for personal activities so that taxpayers would not lose the ability to claim the deduction if they make a personal call or pay a bill online.

The Snowe-Conrad-Gonzalez initiative has garnered strong support from various stakeholders including: the National Federation of Independent Business (NFIB), the IRS National Taxpayer Advocate Service, and the U.S. Small Business Administration's Office of Advocacy.

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