

Washington, DC - Yesterday, Congressman Charles A. Gonzalez (TX-20) introduced HR 7074, the Home Office Tax Deduction Simplification and Improvement Act. The bill would bring clarity to the process of claiming the tax deduction for a home office and direct the Secretary of the Treasury to establish an optional standard deduction.

The legislation was introduced in the wake of a July 30, 2008 hearing of the Small Business Committee's Subcommittee on Regulations, Healthcare, and Trade where testimony described how the complexity of the tax code has led to the underutilization of deductions available to small business owners. This bill is the House companion to legislation introduced by Senator Olympia Snowe (R-ME) on July 31, 2008.

Congressman Gonzalez, Chair of the Small Business Committee's Subcommittee on Regulation, Healthcare, and Trade, issued the following statement on the introduction of his bill:

"Many taxpayer advocates have expressed concern that the home office tax deduction is too complex and cumbersome, deterring home business owners from claiming the deduction," said Rep. Gonzalez (D-TX). "The IRS even acknowledged the problem before my Subcommittee, suggesting the issue be addressed through legislative change," Gonzalez added.

Gonzalez continued, "I am very troubled that this deduction is so vastly underutilized. The home office deduction is important for many American business men and women. Home businesses already make up 53 percent of all small businesses, and, in our ever-changing economy, technological advances are allowing the ranks of home businesses to grow year after year. This is one issue facing Congress that can and should be solved with a clear, reasonable, and relatively simple fix."

"Senator Snowe's legislation is the remedy for this problem," said Gonzalez. "Her multi-pronged solution not only establishes an optional standard deduction, but also modernizes the qualifications for the deduction so that they reflect the modern world in which entrepreneurs must survive. I am very pleased to join with her on this effort. Our bipartisan and bicameral support for this fix reflects our strong belief that the underutilization of this deduction is a detriment to small business owners across this nation."

The Home Office Tax Deduction Simplification and Improvement Act would not only establish an optional standard deduction, but it would also modernize the deduction. It would allow a taxpayers to take the home office deduction they used their home to interact with clients, regardless of whether the clients were physically present. The bill would also allow for de minimis use of business space for personal activities, so that taxpayers would not lose their right to the home office deduction even if they occasionally used the space for non-work-related activities like making personal phone calls.

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