



September 26, 2008

VIA ELECTRONIC MAIL AND FACSIMILE

The Honorable Charles Gonzalez
U.S. House of Representatives
Washington, DC 20515

Re: Support for H.R. 7074: Home Office Deduction Simplification and Improvement Act of 2008

Dear Mr. Gonzalez:

I am writing to express my strong support for H.R. 7074, the Home Office Deduction Simplification and Improvement Act of 2008. Members of the small business community frequently appeal to my office for relief from tax requirements that are disproportionately burdensome for small businesses. The latest research shows that tax compliance is 67 percent more burdensome for the smallest businesses compared to their larger competitors.¹ Tax complexity, combined with the fact that 53 percent of America's small businesses are home-based, prompts my office's support for H.R. 7074.

H.R. 7074 is consistent with what small business expressed to my office during an initiative we launched last year to encourage Federal agencies to minimize the regulatory burden on small business on a regular basis. As you are aware, the Office of Advocacy started the Regulatory Review and Reform (r3) initiative as an annual exercise for the small business community to identify the top 10 Federal regulations that should be reviewed and reformed.² The home office deduction was identified by the National Association for the Self Employed (NASE) and others as a tax provision that is unduly complex. We agreed with NASE and have called upon the IRS to consider implementing a standardized deduction under their existing administrative authority.³

This issue was further highlighted in a recent hearing you chaired in the House Small Business Subcommittee on Regulations, Healthcare and Trade on July 30, 2008. The hearing examined the extent to which agencies are complying with their obligation under the Regulatory Flexibility Act (RFA) to review the regulations to determine if they are outdated, duplicative, or overly complex. The hearing so aptly conveyed the need for reform of the home office deduction and your legislation, H.R. 7074, will address the issue legislatively.

¹ W. Mark Crain, *The Impact of Federal Regulations on Small Firms* (2005). <http://www.sba.gov/advo/research/rs264tot.pdf>.

² Small Business Regulatory Review and Reform Initiative. <http://www.sba.gov/advo/r3/>.

³ Simplify the Home Office Deduction (February 2008). http://www.sba.gov/advo/r3/r3_home08.html#irs.

Congress established the Office of Advocacy to represent the views of small business before Federal agencies and Congress independently.⁴ Due to the Office's independence, the views expressed in this letter do not necessarily reflect the views of the U.S. Small Business Administration (SBA) or official administration policy.

I commend your introduction of the Home Office Deduction Simplification and Improvement Act of 2008. Thank you for your leadership and I look forward to working with you on this and other issues of importance to small employers. If you have questions about the content of this letter, please do not hesitate to contact me or my office's tax counsel, Dillon Taylor. He is reachable at (202) 401-9787 or Dillon.Taylor@sba.gov.

Sincerely,

/s/

Thomas M. Sullivan
Chief Counsel for Advocacy

⁴ 15 U.S.C. § 634a (1976). http://www.sba.gov/advo/laws/law_sta.html#634a.