

August 19, 2008

VIA ELECTRONIC MAIL AND FACSIMILE

The Honorable Olympia J. Snowe
United States Senate
Washington, DC 20510

Re: Support for S. 3371: Home Office Deduction Simplification and Improvement Act of 2008

Dear Senator Snowe:

I am writing in support of S. 3371, the “Home Office Deduction Simplification and Improvement Act of 2008.” Members of the small business community frequently appeal to me for relief from tax requirements that are disproportionately burdensome for small businesses. According to research from my office, 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 S. 3371.

S. 3371 is consistent with what small business expressed to my office during a recent initiative we launched that encourages Federal agencies to minimize the regulatory burden on small business on a regular basis. Last year, 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 Your legislation, S. 3371, recognizes the need for reform and addresses the issue legislatively.

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.

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

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

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