



SMALL BUSINESS
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HEALTH CARE REFORM

The Senate Finance Committee continues its mark up of its version of comprehensive health care reform. The debate certainly has been an interesting one. What strikes me so much about the massive nature of the reform is that it is a bunch of “moving parts.” If this “thing” passes, the unintended consequences are going to dwarf the stated purposes. There are many assumptions about employer and employee behavior, ranging from the belief that if you offer small businesses affordable access to health care they will “buy-in,” to the way “larger” small employers and their employees will react to the “play or pay” requirement.

Until a system is up and running and small businesses are dealing with “hard” numbers, we will not know what shape the system will take. Passage now requires a leap of faith. My recollection is that SBLC has been working on health care reform since 1988. Very few of the hard questions regarding reform have changed over that period of time. If we do not act now, there is no reason to believe those same difficult choices will go away two, five or ten years from now. Have we come to the point in

time when we just got to try something; find out whether the intended consequences are realized and what the unintended consequences are; and move then to correct course?

This week, the Senate Finance Committee will move to consideration of the “financing” provisions, including the proposal to require all businesses to issue a Form 1099 to everyone of their vendors. So far, much to our alarm, we have not seen or heard any member of the Finance Committee speak out against the proposal. We are hoping someone will this week. We are trying to keep it on folks’ radar.

HOME OFFICE DEDUCTION

Under the leadership of SBLC Member, the National Association for the Self-Employed, we have been pursuing legislation to simplify the home office deduction. The lead dog on the Hill was Representative John McHugh of New York. He has resigned from the House now that he has been confirmed as Secretary of the Army.

Representatives Kurt Schrader (D-OR), Chairman of the Finance and Tax Subcommittee on Small

Business, and Devin Nunes (R-CA), a member of the House Ways and Means Committee, have re-introduced the legislation. Representatives Ron Kind (D-WI) and Vern Buchanan (R-FL) joined with Schrader and Nunes as primary co-sponsors of this bill, H.R. 3615.

In 1976, Congress enacted Section 280A of the Internal Revenue Code, which as amended in 1997, provides the limited circumstances in which an individual may take a deduction for expenses related to an office in the home. Generally, deductions are limited to those parts of a home that are exclusively used on a regular basis as a principal place of business or to meet with patients, clients, or customers. It is not a simple process to calculate the deduction.

H.R. 3615 would allow otherwise qualified taxpayers to use a standard home office deduction of \$1,500 rather than go through the calculations.