**HOME OFFICE DEDUCTION**

The IRS has announced a simplified option for taking a deduction for the costs associated with the office if you have a business office in your home.

The new optional deduction, capped at $1,500 per year based on $5 a square foot for up to 300 square feet, should reduce your paperwork and recordkeeping burden.

Currently, you have to fill out a 43-line form (Form 8829) often with complex calculations of allocated expenses, depreciation, and carryovers of unused deductions.

Under the new option, you cannot depreciate the portion of the home used in a trade or business, but you can claim allowable mortgage interest, real estate taxes, and casualty losses on the home as itemized deductions on Schedule A. These deductions need not be allocated between personal and business use, as is required under the regular method.

Business expenses unrelated to the home, such as advertising, supplies and wages paid to employees are still fully deductible.

Current restrictions on the home office deduction, such as the requirement that a home office must be used regularly and exclusively for business and the limit tied to the income derived from the particular business, still apply under the new option.


**CENSUS DATA**

Rare is the time we would ask you to fill out some government paperwork. We depend heavily on Census Bureau data to make our arguments about the impact of regulatory initiatives on small business. Some of that data is generated from a form you have recently received.

Nearly 4 million businesses have received forms for the 2012 Economic Census, the U.S. Government's official five-year measure of American business and the economy. If you received one you were asked to respond by February 12. You can get help with forms and report online at econhelp.census.gov We urge you to reply.

Again, this information is helpful to those of us in the private sector that represent small business in Washington. Thanks.

**CONGRESSIONAL OUTLOOK**

Today, the President is inaugurated and the nation celebrates Martin Luther King, Jr. Day.

Congress and the President will then get down to business. Dealing with the exhaustion of the federal government’s ability to borrow will be the first item on their agenda. Following closely behind that will be the decision on whether to permit the sequestration cuts to proceed – or not.

While we have not spent a lot of time writing about the impact of those automatic domestic spending cuts on small business, there will consequences for small businesses, particularly in industries dependent on the Small Business Administration’s programs. Up to this point, our approach has been to accept the fact that we, in the small business community, will have to absorb our share of the responsibility. If the Congress and the President start picking “winners and losers,” we will have to re-evaluate our goals.