

REVENUE OFFSET TO TRADE BILL

(Scheduled for Markup by the House
Committee on Ways and Means
on October 8, 1997)

**Require Taxpayers to Include Rental Value of Residence in Income
Without Regard to Period of Rental**

Present Law

Gross income for purposes of the Internal Revenue Code generally includes all income from whatever source derived, including rents. The Code (sec. 280A(g)) provides a de minimis exception to this rule where a dwelling unit is used during the taxable year by the taxpayer as a residence and such dwelling unit is actually rented for less than 15 days during the taxable year. In this case, the income from such rental is not included in gross income and no deductions arising from such rental use are allowed as a deduction.

Description of Proposal

The proposal would repeal the 15-day rule of section 280A(g). The proposal would also provide that no reduction in basis is required if the taxpayer: (1) rented the dwelling unit for less than 15 days during the taxable year and (2) did not claim depreciation on the dwelling unit for the period of rental.

Effective Date

The proposal would apply to taxable years beginning after December 31, 1997.