



News from

Congressman Ron Kind

REPRESENTING WISCONSIN'S THIRD
CONGRESSIONAL DISTRICT

1406 Longworth House Office Building • Washington, D.C. 20515 • (202) 225-5506

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Contact: Anne Lupardus
Phone: 202-225-5506

Kind, Herger Outline New Legislation to Eliminate Tax on Health Insurance Premiums for Self-Employed

'Equity for Our Nation's Self-Employed Act' Addresses Inequity in Tax Code

Washington, DC – Members of the tax-writing House Committee on Ways and Means U.S. Reps. Ron Kind (D-WI) and Wally Herger (R-CA) today outlined new legislation they introduced that would eliminate an inequity in the tax code requiring millions of self-employed individuals to pay additional payroll taxes on the cost of their health insurance.

H.R. 3660, the Equity for our Nation's Self Employed Act, would eliminate a 15.3 percent tax on health insurance premiums for the self-employed, currently the only segment of the business population that pays this extra tax on health insurance.

"Rising health care costs are pricing entrepreneurs and small business owners and family farmers out of the market," Rep. Kind said. "When you add to that an inequity in the tax code that penalizes them further, it is no surprise that sixty percent of Americans without health insurance are from families where the head of household is self-employed or works in a small business. The 'Equity for our Nation's Self-Employed Act' is a commonsense bill that would provide immediate help to 16.7 million self-employed individuals, more than 340,000 in Wisconsin alone, who have the deck stacked against them when it comes to affording quality healthcare."

Under the current tax code, corporations are able to deduct health insurance premiums as a business expense and to forego payroll taxes on these expenses. In addition, their employees are able to pay for health coverage with pre-tax dollars. However, individuals that file as sole-proprietors must use after payroll tax dollars to pay their health insurance premiums, applying a 15.3 percent payroll tax to that portion of their income. This inequity is called the "Self-Employed Tax," and when applied to the \$12,100 per year the self-employed pay on average for family coverage, this tax amounts to approximately \$1,850 more to the federal government in payroll tax on these premiums every tax season. The estimated cost of the bill is \$9.8 billion over five years, and Reps. Kind and Herger would work within the Ways and Means Committee to identify ways to offset the cost of this important fix to an inequity in the tax code.

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“Small businesses like ours have a hard enough time competing and this just makes it tougher. We could put more money back into needed business equipment,” said Kathleen Korrison, owner of Arcadia Garage Door Co. in Arcadia, Wisconsin. Her and her husband shoulder an additional \$1,085.00 tax burden each year as a result of the self-employed tax.

"This critically important legislation would help expand health coverage to millions of currently uninsured American taxpayers, and make coverage more affordable to millions more who already have some level of insurance," Rep. Herger added. "This bill is a truly bipartisan effort aimed at leveling the playing field for millions of self-employed small business owners (including nearly 3 million in California alone) through common sense health care tax relief. I look forward to working with Rep. Kind in building support for this important change to our tax laws."