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Bill Aims to Level Tax Playing Field for Self-Employed

Coalition of Small Business Groups Hails Senate Bill for Self-Employed

Washington, D.C., March 24, 2005 – The Coalition Supporting Equity for Our Nation's Self-Employed, representing over 30 small business organizations, applauds the introduction of the Equity for Our Nation's Self-Employed Act of 2005, S. 663, a bill that would eliminate an inequity in the tax code that requires 14 million self-employed individuals to pay an additional 15.3 percent in taxes on the cost of their health insurance premiums.

Introduced by Senators Jeff Bingaman (D-NM) and Craig Thomas (R-WY), the bill allows sole proprietors to deduct the cost of health insurance premiums as a normal business expense when calculating their federal self-employment tax. Currently, all business entities except sole proprietors deduct their health premiums as a business expense and forego FICA (Social Security and Medicare) taxes on these expenses. This leaves filers of Schedule C and Schedule E tax forms as the only business entities paying a 15.3 percent tax on these costs.

"This problem affects all self-employed," said Robert Hughes, president of the National Association for the Self-Employed. "The inequality can mean the difference between having and not having health insurance. These added costs are a key contributor to why the self-employed and micro-business owners are the majority of those without health insurance today."

Adding to the already skyrocketing cost of health premiums, this additional payment contributes to the number of working uninsured. According to the Census Bureau, 45 million Americans do not have health coverage, and 60 percent come from families where the head of household is self-employed or works for a small business. Additionally, because they buy insurance on the individual market, premiums for the self-employed are already approximately 18 percent higher than larger corporations are able to negotiate. The bill would end a significant disparity that has contributed to the nation's health-care crisis by abolishing strong cost penalties in health insurance imposed on the self-employed.

According to the Kaiser Family Foundation, sole proprietors pay \$9,950 per year for health coverage of a family of four. Come tax season, since that expense is not deductible when calculating self-employment tax, they pay \$1,522 more to the federal government in payroll tax on these premiums. No other business entity must pay this added cost.

“We applaud the re-introduction of this act. It will help end an injustice that has been in place for far too long,” said Todd McCracken, president of the National Small Business Association. “Even though the self-employed gained the ability to deduct the cost of health care against income tax in 2003, they are still being forced to pay payroll tax on the income used to purchase the health care. We hope that S.663 passes, putting small businesses on equal footing with large businesses once and for all.”

“Passage of this legislation will go a long way in helping our nations self employed afford health insurance,” said Kevin Horan of the Small Business Legislative Council.

For more information about the payment of self-employment tax on health insurance premiums, visit <http://www.taxequity.org/>.

The Coalition Supporting Equity for Our Nation’s Self-Employed

American Farm Bureau Federation
American Small Business Alliance
The American Small Business Coalition
American Veterinary Medical Association
Associated Builders & Contractors
Association of Small Business Development Centers
California Small Business Association
Communicating for Agriculture & the Self-Employed
Computing Technology Industry Association
Council for Affordable Health Insurance
Council of Smaller Enterprises
Delaware State Chamber of Commerce Small Business Alliance
Indiana Chamber of Commerce
KansasFirst
Missouri Merchants & Manufacturers Association
Montana Chamber of Commerce
National Association for the Self-Employed
National Association of Women Business Owners
National Federation of Independent Businesses
National Small Business Association
New Jersey Chamber of Commerce
North Carolina Citizens for Business and Industry
Rockford Chamber of Commerce
Small Business & Entrepreneurship Council
Small Business Legislative Council
Small Business United of Texas
Society of American Florists
U.S. Chamber of Commerce
U.S. Hispanic Chamber of Commerce
Women Entrepreneurs Inc.
Women Impacting Public Policy