

Coalition: S. 2433 Would Eliminate Tax Inequity That Only Self-Employed Face

For immediate release

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Washington, D.C., May 24, 2004 – America's 16 million self-employed are one-step closer to tax parity and equal access to affordable health coverage thanks to new legislation introduced in the Senate last week, according to a national coalition of small business organizations. The 28 groups of the Equity for Our Nation's Self-Employed coalition hailed S. 2433 for eliminating a tax disparity only self-employed must pay.

Introduced by Senator Jeff Bingaman (D-NM) and Senator Craig Thomas (R-WY), the Equity for Our Nation's Self-Employed Act of 2004 (S. 2433) eliminates the strong tax penalty imposed on the self-employed, which currently require them to pay a 15.3 percent "self-employment tax" on their health insurance.

The rising cost of health care consistently ranks at the top of issues of concern for small businesses. Over 60 percent of the 44 million Americans without health coverage are from families where the head of household owns or works for a small business. The self-employed pay on average almost 20 percent more for insurance than workers for larger corporations.

S. 2433 and its companion bill in the House of Representatives, H.R. 1873, would allow the self-employed to fully deduct their health insurance premiums for the purposes of their income tax and self-employment tax (FICA tax), allowing the self-employed to achieve parity with corporations that are currently allowed to deduct their health coverage costs as an ordinary business expense.

The average self-employed individual pays \$9,068 annually in health insurance premiums for family coverage, according to a 2003 Kaiser Family Foundation study. Under the current tax code, this sole proprietor would pay \$1,387 (15.3 percent) in self-employment taxes on this amount while other business entities can fully deduct their health costs.