

NSBA Release on HR 1873

PENALTY ON SELF-EMPLOYED HEALTH CARE COSTS WOULD END UNDER NEW LEGISLATION

Washington, D.C. – The National Small Business Association is proud to announce that legislation ending the penalty on self-employed business owners purchasing health insurance found support in the House of Representatives today. House Small Business Committee Chairman Donald Manzullo (R-III.) and Committee Ranking Democrat Member Nydia Velazquez (D-N.Y.), announced the “Self-Employed Health Care Affordability Act” at an afternoon press conference on Capitol Hill.

The National Small Business Association is advocating for elimination of this tax on the self-employed, issuing a report on this and other inequities in the tax code in a 2001 study: *The Internal Revenue Code: Unequal Treatment between Large and Small Firms*.

According to the study, all employed individuals pay the FICA (Medicare and Social Security) tax, with 6.65 percent allotted for Social Security and 1.45 percent going to Medicare. Employers are required to match employee contributions with a 7.65 percent contribution of their own. Self-employed individuals are required to pay both sides of this tax, resulting in a total 15.3 percent tax on their income.

Contrary to rules for C-Corporations, a provision of the Internal Revenue Code requires self-employed individuals to pay the additional 15.3 percent tax on the cost of their health care premiums, a sum that can easily add thousands of dollars to a typical family plan. With health care costs already out of control, our members find it unbelievable that the federal government would tax those who have the hardest time securing coverage.

NSBA believes this legislation is a perfect addition to economic stimulus legislation and encourages the Congress to pass the “Self-Employed Health Care Affordability Act,” ending the penalty on the self-employed seeking affordable health care coverage.

“This is the first step in reforming a tax system that insists on treating self-employed as second-class citizens,” said Todd McCracken, president of the National Small Business Association. “We encourage Congress and the administration to include this in any economic growth package proposed this year.”