

## **NSBA release on S. 2433**

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Washington, D.C. – The self-employment tax on health care costs will end under a bill introduced in the United States Senate today. S. 2433 matches H.R. 1873 introduced in the House in April of 2003. The Equity for Our Nation's Self-Employed Act of 2004 eliminates the FICA tax the self-employed pay on health care costs.

"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.

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.

Since 1937, the National Small Business Association has been an advocate for the interests of small businesses throughout the country, reaching over 150,000 small businesses today. We are proud to be the first national small business advocacy organization in the United States.