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BINGAMAN BILL AIDS SELF-EMPLOYED NEW MEXICANS

SENATOR ALSO INTRODUCES HOBBS MAYOR TO TESTIFY AT SMALL BUSINESS HEARING

WASHINGTON – U.S. Senator Jeff Bingaman today introduced a bipartisan bill that would change the tax law to benefit small business owners. Senator Orrin Hatch is the Republican cosponsor.

Under current law, corporations and other business entities are able to deduct health insurance premiums as a ‘business expense’ and to forego payroll taxes on these costs. However, self employed individuals are not allowed this same deduction and thus, are required to pay self-employment tax -- the payroll tax for the group -- on health insurance premiums.

Because of this inequity, health insurance is more expensive for self-employed workers. At a time when the number of uninsured Americans is growing at an alarming rate, Bingaman believes Congress should be working to find ways to reduce the cost of health insurance.

“Self-employed individuals are the only segment of the business population who are taxed on their purchase of health insurance. This is an unfair situation and we need to fix it as soon as possible,” Bingaman said.

Roughly 3.8 million working families in the United States paid self-employment tax on their health insurance premiums. According to the Internal Revenue Service (IRS), there are almost 130,000 sole-proprietors in New Mexico, though it is unclear how many of them are purchasing health insurance.

According to the Kaiser Family Foundation, self-employed workers spend upwards of \$12,000 per year in 2006 to provide health insurance for their family. Because they cannot deduct this as an ordinary business expense, those that spend this amount will pay a 15.3 percent payroll tax on their premiums resulting in over \$1,800 of taxes annually.

“Nearly 50 million Americans are uninsured, and it’s estimated that nearly 60 percent of those individuals are either self-employed or work for small businesses. Enacting this legislation I’ve introduced with Senator Hatch would be one step toward addressing our nation’s growing uninsured problem,” Bingaman said.