



March 24, 2005

The Honorable Jeff Bingaman
United States Senate
703 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Craig Thomas
United States Senate
307 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Bingaman and Senator Thomas:

We are writing to you today to thank you for introducing the **Equity for Our Nation's Self-Employed Act of 2005 (S.663)**. This legislation would end a significant inequity within the tax code that penalizes self-employed Americans and makes it increasingly difficult to afford quality health coverage.

The self-employed have been hit particularly hard by the rising costs of health care. The coalition supporting Equity for Our Nation's Self-Employed is a group of leading small business and trade organizations who feel strongly that the self-employed must have a fair and level playing field in order to start up, grow and be successful in their business.

Under the current tax code, corporations are able to deduct health insurance premiums as a business expense and to forego FICA taxes on these costs. However, the self-employed are not allowed this same deduction and thus, are required to pay an additional 15.3 percent self-employment tax on their health insurance premiums. The self-employed are the only segment of the business population that pays this extra tax on health insurance. The Equity for Our Nation's Self-Employed Act of 2005 would eliminate this strong cost penalty imposed on the self-employed and level the playing field for millions of self-employed business owners.

According to a 2004 Kaiser study, a self-employed individual pays an average of \$9,950 annually in health insurance premiums for family coverage. We know that this is a modest estimate in the current health care climate, where self-employed individuals are known to pay up to \$13,000 annually for family coverage. If S.663 passes, a self-employed individual with a per-year premium of \$9,950 would save \$1,522.35 (15.3 percent) that he or she currently pays in taxes on their health insurance. This is money that could be used to reinvest and grow their business, hire part-time help or cover the ever-increasing costs of their current health coverage.

We know that Congress is facing federal budget concerns yet leveling the playing field for small businesses and allowing them the same tax treatment that big business already has is the right thing to do. We look forward to working with you and your staff to gain

passage of S. 663, which would have an immediate positive impact on the self-employed in this difficult health care climate.

We thank you for your leadership and sponsoring the Equity for Our Nation's Self-Employed Act of 2005 (S.663). If you have any questions or comments, please contact Kristie Darien at 202-466-2100 or via e-mail at kdarien@nase.org. For more information about the coalition, please go to www.taxequity.org.

Sincerely,

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

Members

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