



National Association for the Self-Employed

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March 16, 2006

The Honorable Melissa Hart
U.S. House of Representatives
1024 Longworth House Office Building
Washington, D.C. 20515-3804

The Honorable Donald Manzullo
U.S. House of Representatives
2228 Rayburn Office Building
Washington, D.C. 20515-1316

Dear Representative Melissa Hart and Representative Donald Manzullo:

On behalf of the National Association for the Self-Employed (NASE), I am writing to thank you for introducing the **Equity for Our Nation's Self-Employed Act of 2006 (H.R. 4961)**. This legislation will give 16 million self-employed Americans better access to affordable health care coverage, ending a significant tax inequality that has contributed to the nation's health-care crisis.

One of the main goals of the NASE is to combine the influence of our over 250,000 member businesses, representing over 600,000 owners and employees, so that the voice of micro-business in general can be heard. A voice that only asks to have the same opportunity for success afforded to big business. In the nation's current health care crisis, the self-employed have been hit particularly hard, facing rising costs of health care combined with a large inequity in the tax code. The Equity for Our Nation's Self-Employed Act of 2005 would eliminate this strong cost penalty on health insurance imposed on the self-employed and make quality health care more affordable for millions of Americans who now make up the majority of working uninsured.

Under the current tax code, the inequity faced by the self-employed lies in the payment of self-employment tax on health insurance premiums. While corporations are able to deduct health insurance premiums as a business expense and to forego FICA (Social Security and Medicare) taxes on these expenses, the self-employed are unable to deduct premiums as a business expense and are required to pay an additional 15.3 percent self-employment tax on these expenses. **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 2006 addresses this unfairness by eliminating the requirement that the self-employed claim health insurance premiums when determining self-employment tax. According to a 2005 Kaiser study, a self-employed individual pays an average of \$10,880 annually in health insurance premiums for family coverage. Association members tell the NASE 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 H.R. 4961 passes, a self-employed individual with a per-year premium of \$10,880 would save \$1,664.64 (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, cover the ever-

increasing costs of their current health coverage or provide funds to afford health coverage if they are currently uninsured.

Currently providing affordable health coverage in the United States is a tough issue. Yet, providing the small business owner with the same tax treatment that big business already has is the right thing to do and will have an immediate impact on the affordability of health care for millions of self employed business owners.

We thank you for your leadership and sponsoring the Equity for Our Nation's Self-Employed Act of 2006 (H.R. 4961). If you have any questions or comments, please contact Kristie Darien via phone at 202-466-2100 or e-mail at kdarien@nase.org. We look forward to working with you and your staff on this important issue.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Hughes", with a long horizontal flourish extending to the right.

Robert Hughes
NASE President