



National Association for the Self-Employed

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Testimony of

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House Small Business Committee Subcommittee on Tax, Finance and Exports

“Overcoming Obstacles Facing the Uninsured”

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I would like to thank you Mr. Chairman, and Subcommittee members for the opportunity to be here today. My name is Keith Hall. I am a certified public accountant and I am a small business owner from Dallas, Texas. I am here representing the National Association for the Self Employed, an organization of which I have been a member for over 10 years.

One of the main goals of the NASE is to combine the influence of the over 250,000 self-employed individuals and micro-business owners they represent so that the voice of micro-business in general can be heard. A voice that doesn't ask for special favors or tax incentives. A voice that only asks to have the same opportunity for success afforded to big business. Today, this vital segment of the small business population within our nation numbers more than 18 million. Micro-businesses are the drivers of America's economic engine, creating well over a third of all new jobs to the economy between 1998 and 1999. The last U.S. Census reported that these firms employ more than 12.3 million workers with a total annual payroll of more than \$309 billion.

“The nation's leading resource for micro-businesses and the self-employed”

The chief impediment that micro-businesses and the self-employed are facing as they try to stay afloat in this time of economic stagnation is the ever-increasing costs of health coverage. The state of health care among the nation's self-employed and micro-businesses is critical. According to a June 2002 study released by the NASE entitled "Affordability in Health Care: Trends in American Micro-Business," seven in 10 micro-business owners report they do not provide any type of health care coverage to eligible employees nor have coverage for themselves. Costs are cited as the chief reason for this trend. Participants in the study say the situation is worsening as health insurance premiums for micro-businesses are increasing at double-digit rates while insurance benefits and plan choices are decreasing.

Thus, I am here today, on behalf of the NASE, to voice its strong support for health care tax credits and also H.R. 1873, the Self-Employed Health Care Affordability Act of 2003, which has as its only goal, to provide small business with the same opportunity for success as big business in affording quality health coverage.

As with most of us here, I wear a lot of different hats. I am a father and a husband. I run a small business and I am the treasurer of my Sunday school class. I serve on two Corporate Boards of Directors and I am an officer of my kid's high school booster club. But today, my hat is concerned about the cost of healthcare for my family. I currently pay approximately \$600 a month for health insurance or a little over \$7,000 per year, which sadly enough is reasonable in this current healthcare climate where self-employed individuals are known to pay up to \$13,000 for family coverage. When it comes time to prepare my tax return, those premiums are deductible for the purposes of income tax, but they must be included on the front page of my tax return because I am self employed. This means that the premiums are not included on the business portion of my tax return and therefore, are not deductible in calculating the Self Employment tax that I must pay. Other business owners, big business, have the opportunity to pay for health insurance premiums before any tax calculation is applied to the earnings of their officers and employees. So what does that all mean. Before anything else is taken into consideration, the cost of my health insurance is up to 15.3% higher than the guy next to me solely because I am self-employed. He may have the same size family, the same health concerns, the same medical history and even the same weight problem that I have. Everything can be exactly the same, but I will still pay 15% more for my coverage than he does simply because the Internal Revenue Code does not allow me to fully deduct my health insurance premiums. The self-employed are the only segment of the business population that pays this extra tax on health insurance.

Imagine going to the movie and the guy in front of you pays \$14.00 for two tickets for he and his wife. When you get to the window, the clerk says that will be \$16.00 because you own your own business. The same movie, the same seat, the same popcorn, but you have to pay 15% more. It doesn't make sense.

This cost differential is not designed to influence the buying habits of the consumer such as a cigarette tax or alcohol tax. The cost differential is not designed to provide financial assistance such as the Earned Income Tax Credit or the Child Tax Credit. I believe the cost differential is solely an inequity in the Tax Code that has been overlooked, until now.

I am certainly not a health care expert nor am I an insurance expert. However, my bias is that providing affordable health care in the United States in 2003 is a tough issue. There are many pieces to achieving this goal that are very complicated. Health care tax credits, negotiating cost control with health care providers, access for the currently uninsured and uninsurable and so much more. Very few of these issues are self-contained, but each has an impact on the other with complexities on top of complexities, with virtually no easy answers. The Self-Employed Health Care Affordability Act (H.R. 1873) is an easy answer.

The members of this committee, and on a larger scale, the members of the House and the Senate as a whole, are asked to make tough decisions everyday. As an average American citizen, I greatly appreciate the effort that you extend in making those tough decisions. I can only guess how refreshing it must be when an easy decision comes along. From where I stand, H.R. 1873 is an easy decision that just happens to be mixed up in a very difficult issue. Providing the small business owner with the same tax treatment that the 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. There is no reason why my movie ticket should cost more just because I am self-employed and the same goes for my health insurance.

The NASE also strongly supports health care tax credits as a viable solution to begin addressing the larger issue of the uninsured in our nation. Nearly 80 percent of the respondents to the NASE survey say they would be likely to purchase health insurance for their employees if they were given tax credits. The NASE supports the S.A.V.E. Act sponsored by Representatives Kay Granger and Albert Wynn. Yet, we are aware that there is no silver bullet that will cure the issues within our nation's health care system. Thus, the National Association for the Self-

Employed strongly supports continued efforts to find proactive solutions, rather than reactive, to address the root causes of continual health insurance premium increases and lack of quality health coverage.

Once again, I would like to say thank you on behalf of the NASE and for myself for the opportunity to be here today. And on a personal note, I would like to extend my gratitude to the members of this Subcommittee and the House and Senate as a whole for working so hard to keep this country strong and healthy and helping people like me afford it.