



## Self-Employment Tax Deduction on Health Insurance Premiums

### *How this Issue Affects Micro-Business Owners Nationwide*

**Lyn Barela** is the owner of Lyn Enterprises, LLC. Lyn would save \$1,285 in taxes each year if there was not a self-employment tax on health insurance premiums. Lyn says that this payment takes away from small, struggling business operations.

Lyn Barela  
Anchorage, AK

**Lori Houston** is the owner of Lori Houston, LCSW. Lori would save \$802 in taxes each year if she did not have to pay self-employment tax on her health insurance premiums. Lori says that with this money she could otherwise purchase premium healthcare coverage for her children, husband and herself. In addition, she could also use the money to hire a computer technician to come and help with glitches in the software.

Lori Houston  
Palmer, AK

**Eric Barney** is the owner of Alpyne Plumbing. Eric would save \$685 in taxes each year if he did not have to pay self-employment tax on his health insurance premiums. Eric says this self-employment tax “definitely takes money away from the business and my family”. Instead of having this tax, Eric would rather use this money to start a retirement fund.

Eagle River, AK

**Daniel Granger** is in the construction industry and is the owner Granger Construction Co. LLC in Silverhill. If he were not paying the self-employment tax, he would save nearly \$2,000.00 each year. It’s tough, says Daniel, who must include it as an overhead cost and raise the prices for his customers.

Silverhill, AL

**Kristine Secor** is a micro-business owner in Searcy who would like to increase her exposure to potential clients but the self-employed tax makes that more difficult. She is currently paying about \$400.00 per year as a result. Kristine says, “The tax makes a difference on how much coverage I can afford and type of coverage I have, increasing the burden I carry to maintain wellness.”

Searcy, AR

**Jeff Coppock** owns the Alexander therapeutic business, Central Arkansas Pediatric Services. He pays nearly \$900.00 in extra taxes each year as a sole proprietor. This is a burden and takes away from his ability to expand. Jeff would like to buy new equipment in order to be more productive.

Alexander, AR

**Patricia Minga** owns a business in Jonesboro. Though she is aware of the self-employed tax and pays an additional \$435.13 each year because of it, she is concerned about the toll it takes on other aspects of her life. Patricia says, “it effects what kind and how much insurance I can afford.”

Jonesboro, AR

**Keith Kaufmann** works in real estate in Camp Verde. He pays an extra \$700.00 and is frustrated with where that leaves him: “I want to upgrade my health insurance and live a more healthy life but with all taxes combined and the higher costs we all face I am swimming in negative cash flow. In addition, I don't see why I am forced to pay a tax that no other entity is required to pay.”

Camp Verde, AZ

**Gregg Schnepf** owns White Lace and Promises, a purveyor of photography services and supplies, in Lakeside. As a result of his employment status, Gregg pays an additional \$734.00 tax on his health insurance premiums. “If we don't make good profits in a month, we have to pull from savings just to pay the health insurance premium of \$400/mo for one of us! Our total medical insurance costs last year were \$12,000. Our Social Security income is \$20,000. If our business brings in little, all our additional expenses come from our savings.”

Lakeside, AZ

**Ed Walters**, a micro-business owner from Palo Cedro, California, is paying \$1,593.65 in extra self-employment taxes each year on his health insurance premiums. As a result, he cannot afford health insurance for his employee, which makes it difficult for him to good employees since most are looking for a benefits package. Additionally, this tax makes it even harder to balance his accounting books.

Palo Cedro, CA

**Thomas Hinkle**, a micro-business owner from Palo Cedro, California, is paying \$919.83 in extra self-employment taxes each year on his health insurance premiums. This is money that he would otherwise spend reinvesting in his business by purchasing new computer equipment. He would also contribute some of this money towards his retirement.

Anderson, CA

**Lorna Lewis** owns a Subway Sandwich shop in Paradise, California, and is paying \$708.70 in extra self-employment taxes each year on her health insurance premiums. She explains that “obviously this increases the already large burden on self-employed individuals/sole-proprietors. As do most self-employed families, we live very ‘close to

the bone' financially and yet we are not afforded the advantages of health care offered to many other sectors of our population.”

Paradise, CA

**Paul Westmacott**, owner of Paradigm Pictures in Santa Barbara, California is paying \$307.00 in extra self-employment taxes each year on his health insurance premiums. He says he wishes he could use the money to reinvest into his business, since there are “numerous equipment needs and updates to keep my post production facility running and up to date.” He'd also really like to be able to add his daughter to the insurance.

Santa Barbara, CA

**Ryan Hevener** owns a pool cleaning and maintenance company in Vista. “It's hard to make ends meet,” he says. “The cost of gas has gone up and I depend on my vehicle every day. I could use that money I spend on health care costs to fuel my car or hire an employee if I can't work.” Ryan is currently paying an extra \$1,469.00 yearly.

Vista, CA

**Shannon Clark** is frustrated about the \$400.00 extra she pays each year: “I am a sole proprietor AND the only means of support for myself. I NEED every single penny that I can earn in order to keep a roof over my head and food on my table. This tax feels like favoritism to big business and a penalty to small business owners.”

Stevenson Ranch, CA

**Paul Humphrey** is a micro-business owner in Fresno. He pays just under \$900.00 annually in extra taxes. “Health insurance premiums are my single largest monthly business expense,” he says. “With the way current pricing of projects and competition is going, a 15.3% increase is not something I can just pass to the clients. Gasoline prices have already hit my business hard. The only way to recover is to take on more work and with a schedule of 70 to 90 hours a week already there truly is no real way to recover.”

Fresno, CA

**Mary Peoples** would like to reinvest the money she pays for the self-employment tax (\$527.00) in more equipment for her business. Specifically, she says she would like to purchase some new computers and telecommunications items.

Parker, CO

**Carole Coleman** is the owner of Cantwell House Bed & Breakfast and is currently carrying an additional \$659.00 tax burden as a sole proprietor. She would like to purchase additional items for the establishment because, “It is important in this business to keep up to date. I would buy new sheets & towels and paint so that I could repaint my rooms.”

Odessa, DE

**Arnetta Blackstone** is a small business owner. If Arnetta did not have to pay self-employment tax on her health insurance premiums, she would save about \$441 a year. Arnetta would use this extra money to reinvest in her business through advertising and buying much needed equipment updates.  
Washington, DC

**Jeffery Kozak** is the owner of Escrow Experts, LLC. Jeffery would save \$1,248 in taxes each year if he did not have to pay self-employment tax on his health insurance premiums. Jeffery says this tax increases his healthcare burden and takes away money he could be spending on more profitable ventures.  
Washington, DC

**Morgan Grace, Jr.** is the owner of Grace Capital Consultants, Inc. Morgan has owned his Subchapter S Corporation for over 10 years and still cannot afford to hire a tax accountant. He believes that these tax regulations are too complex for small business owners.  
Washington, DC

**Page Remick** is the owner of Pure Zing, a business that reviews online products. She says the \$1,147.00 she pays each year is twice as much as her company makes each month, which makes health coverage no longer an option.  
St. Augustine, FL

**Kathryn Silverton** pays an additional \$517.00 in taxes as a sole proprietor. She would rather use this money to purchase upgraded equipment and software.  
Lilburn, GA

**Kevin Shelman**, a farmer in Hillsboro, pays an additional \$2,469 annually in self-employment tax on his health insurance premiums. He says this extra cost hurts his business because it “stops me from expanding my business.” If he did not have to pay this tax, Kevin says he would invest in “new tools, expansion, or to hire an employee.”  
Hillsboro, IA

**Charles Lingo**, a private investigator in Cedar Rapids, pays an additional \$1,165 annually in self-employment tax on his health insurance premiums. He says this extra cost increases his health care burden, and if he did not have to pay it, Charles would invest it in “equipment and advertising.”  
Cedar Rapids, IA

**George Hansen**, a painter in Kalona, pays an additional \$600 annually in self-employment tax on his health insurance premiums. He says this extra cost “increases my already high health care costs. This is a huge unjust.” George says that if he did not have to pay self-employment tax on premiums, he would invest that money in giving higher wages to his workers.”  
Kalona, IA

**John Knopf**, an appraiser in Dubuque, pays an additional \$800 annually in self-employment tax on his health insurance premiums. He says this extra cost hurts his business, and if he did not have to pay it, he would invest the money in “continuing education that is required” for his profession.

Dubuque, IA

**Dave Hansen**, a marine boat and motor repairman from Garner, pays an additional \$700 annually in self-employment tax on health insurance premiums. He says this extra cost hurts his business, and if he did not have to pay it, he would be able to lower his prices while increasing his profits.

Garner, IA

**Kevin Sarbacher** pays an additional \$602.00 in taxes each year which he says “takes money away from buying material needed for jobs which happens to be metal products that have also increased in price.”

Lewiston, ID

**Jennifer Stolle** owned a siding and window installation business. She pays \$481.00 in additional taxes each year but would like to put that money towards new equipment and advertising.

Emmett, ID

**John Noland, Jr.** is a micro-business owner in Lexington who is currently paying \$593.00 in extra taxes annually. “This puts a burden on my business as well as on me personally,” he says. “Money that could go towards investing in retirement, buying tools or vehicle for my company.”

Lexington, KY

**Gary Rodrigue, Sr.** pays an additional \$1,056.00 each year as a sole proprietor. “We have to carefully budget to make sure we set aside a certain amount to cover the premiums,” he remarks. “We also have to go with a higher deductible to be able to even afford it.”

Schriever, LA

**Randy Rodriguez, Sr.** owns Innovatek in Deville. If the self-employed tax were eliminated, he would save over \$900.00 each year. He comments that this money would go towards “items and or tools to keep pace with the market of my business. This may be computers, software, tools etc.”

Deville, LA

**Anthony Defigio**, owner of a design firm, pays \$872 each year in self-employment taxes, in addition to the rising cost of health insurance. He says, “The additional cost makes it more difficult for us to hire new people. The biggest deterrent to hiring new workers is the cost of health care.”

Charlestown, MA

**James Klingensmith**, a general contractor from Edgartown, pays \$652 each year in self-employment taxes on health insurance premiums. He says this tax “is about seven tanks of gasoline, which is about one month of use for my truck.... It is wrong to tax American small businesses for health insurance when they are contributing to the country.” If he did not have to pay this extra tax, Klingensmith says he would be able to cover his medical bills.

James Klingensmith General Contractor  
Edgartown, MA

**Marcia Coakley**, a sole proprietor in Medway, pays an astronomical \$1,195 each year in self-employment taxes on health insurance. She says that this tax is a burden to the rest of her business, as well as her family. Without this tax, she would be able to invest in new equipment for her business.

Medway, MA

**Christopher Storms** is a small business owner. Christopher would save \$1,010 a year if he did not have to pay self-employment tax on his health insurance premiums.

Christopher says this payment “inhibits me from investing in new data and ultimately affects my customers. Most importantly, it is affecting my way of living and my family.”

New Harbor, ME

**Heidi Knight** is a small law office owner. Heidi would have \$1,102 in taxes each year if she did not have to pay self-employment tax on her health insurance premiums. She worries that it may reach the point where health insurance will not be available to her employees due to the high premiums and self-employment tax.

Farmington, ME

**Karen Mueller** owns a realty company and carries a \$900.00 tax burden as a self-employed person. Her funds are already limited because she does not have an employer to shoulder some of the costs. Karen would like to invest the money in the purchase of more supplies and virtual tours, more advertising, the reduction of debt on credit cards and computer system upgrades.

Plymouth, MI

**Alan Taracuk** is a management consultant and could save almost \$1,400.00 annually were it not for the self-employed tax. If possible, he would use this money to hire additional employees or upgrade computer equipment.

Plymouth, MI

**Joseph Degennaro** owns JMD Property Management, a remodeling and home repairs company. He pays an extra \$1,248 in taxes each year. Joseph comments, “This cost takes away money that could be invested in my business in the form of tools and even an employee.”

Grand Rapids, MI

**Mark MacDonald** runs the PinPoint Creative Group, an ad agency in Winston Salem, and could save nearly \$1,700.00 annually. The company serves as a career stepping stone for the city's students and recent graduates, but the self-employed tax makes it harder for him to continue doing so.  
Winston Salem, NC

**Preston Barnum** wrestles with high fuel costs these days. The \$661.00 he pays in self-employment taxes each year could easily offset that burden. Or, he points out, it could pay for two months of medical insurance premiums.  
Lewisville, NC

**Norman Travis**, owner of Westside Lawn Maintenance, pays about \$370.00 per year for the self-employment tax. He has a carefully laid out plan for the money he could save. It includes "advertising to increase customer base which would necessitate a rental or purchase of a warehouse which would lead to an increase in employment and equipment."  
Winston Salem, NC

**Ann Ealy** is the owner of a health business and currently pays an additional \$643.00 each year as a result of the self-employment tax. She boils her situation down to one point: "Bottom line, the less I have to pay in SE taxes, the more money I can devote to the development of my business including, but not limited to advertising, business coaching, client incentives, publications and affordable workshops promoting self care."  
Omaha, NE

**Eric Bellemore** runs Eric's Lawnmowing in Chester, New Hampshire. He pays an extra \$784.00 on his health insurance premiums each year because of the self-employment tax. The tax hits him especially hard since, as a seasonal business, he works for ten months of the year while paying twelve months of bills.  
Chester, NH

**Daniel Devany** is a small business owner who would save \$472 in taxes each year if he did not have to pay self-employment tax on health insurance premiums. Daniel says payment of this self-employment tax affects him by increasing his healthcare burden. If he were not paying this extra amount in taxes, Daniel would start and invest in an IRA.  
Columbus, OH

**Susan Rager** is a CPA in Lakewood who pays a \$354.00 each year in extra taxes as a sole proprietor. "I could use that extra money since I am just starting on my own," she says. "That would cover almost 2 months of the health insurance. Since corporations can deduct this, it would only be fair that sole proprietors should also. I could spend it on marketing to get more clients to build the business as I am trying to do."  
Lakewood, OH

**Catherine Pangburn** is the owner of Physical Therapy Center. If Catherine did not have to pay self-employment tax on her health insurance premiums, she would have \$2,157.30

a year. Catherine could use that money to expand her business and potentially hire an additional employee, which would benefit her patients.  
Ponca City, OK

**Michael Barnett** is the owner of Barnett Consulting, a medical consulting business. Michael would save \$7,344 in taxes each year if he did not have to pay self-employment tax on his health insurance premiums. Michael says the self-employment tax takes away from any profits, but with the money saved from not paying extra taxes, he could make more sale calls or hire another person, thus adding to his profits.  
Poteau, OK

**Karl Kolbeck** specializes in physical therapy education and clinical care services, which costs him over \$280.00 each year in self-employment taxes. In addition to making his health care costs much higher, he says, the tax “limits me from providing maximum contribution to my self-employed pension-IRA.”  
Portland, OR

**Linda Burnside** is the owner of Independent Retirement Consulting and wants to reinvest in the “infrastructure and marketing budget” for her business. Linda believes these changes could help attract additional clients while also making income levels more secure for her and the employees. An additional \$734.00—what she currently pays in self-employment taxes annually – could help make this goal easier to achieve.  
Clackamas, OR

**Andrew Gustine**, a building contractor from Phoenixville, pays an additional \$826 a year in self-employment tax on his health insurance premiums. He would use that money on business tools and software as well as better insurance coverage.  
Phoenixville, PA

**Cynthia Arndt** is a real estate agent in Canonsburg. She pays \$498 each year in self-employment tax on the cost of her health insurance premium. It takes away from Cindy being able to purchase things for her business. She would use that money to increase her advertising.  
Canonsburg, PA

**Michael Kniotek** is the owner of MPKarryall. Michael would save \$720 in taxes each year if he did not have to pay self-employment tax on his health insurance premiums. Michael says that the payment of self-employment taxes on his health insurance premiums makes it more difficult to afford better healthcare. Michael adds, “I am painfully aware that being self-employed is hard, it just should not be so hard.”  
North Providence, RI

**Deborah Amoroso** of South Carolina is the owner of Belfair Eye Care Center on Hilton Head Island. Right now, she pays an extra \$422.00 each year because of the self-employment tax. When asked what she'd use this money for instead, she replies that the tax "takes money away from ways to grow the business."  
Hilton Head Island, SC

**Alexander Lodi** is the owner of ITV Ventures, a company specializing in home based and direct sales. She says she would use the \$400.00 she pays annually towards advertising.  
Simpsonville, SD

**Michael Shealy** is a micro-business owner in Gilbert who currently pays \$826.00 in taxes each year and would use this money towards hiring another employee.  
Gilbert, SD

**Debbie McCoy** and her husband own and operate a copy, mail and shipping center in Humble, Texas. Debbie and her husband would save \$2,570 in taxes each year if they did not have to pay self-employment tax on health insurance premiums. This extra tax and the high cost of health coverage do not allow them to offer health insurance to his employees.  
Humble, TX

**Sandy Smith** is the owner of Smith's Ditching Service and pays an extra \$1,266.00 in taxes as a member of the self-employed community. "I could use that money in my business to repair the air-conditioner on my tractor," she says. "It went out two years ago and I just haven't had extra money to have it repaired."  
Trenton, TX

**Rebecca Federico** is the owner of Accetera Antiques & Collectibles in McKinney. With a \$689.00 tax burden each year, she needs every penny to run her business so eliminating the self-employment tax. Rebecca says, "I would purchase more inventory to sell and possibly use this towards advertising money for the year."  
McKinney, TX

**Howard Field** pays \$734.00 annually and is the owner of Homestead Cabinets & Furniture. "As is the case with many small businesses, I have larger companies, which offer insurance, take good employees from my company quite often," he remarked. "This tax is one more of the costs that make it so difficult to offer health insurance and have reasonably priced health insurance in this country."  
Fruit Heights, UT

**Cheryl Wietz** is the owner of The Falls Church Parent Child Center. Cheryl would save \$872.77 a year if she did not have to pay self-employment tax on her health insurance premiums. If Cheryl wasn't paying this extra tax she said she would use the money to improve the record keeping aspect of her business by hiring another employee to digitalize records.  
Falls Church, VA

**David Rowe** is a project management consultant. For David, the payment of self-employment taxes on health insurance premiums increases his health care burden. David could save \$1,355 a year if he did not have to pay self-employment tax on his health insurance premiums. David said he would use that money instead to upgrade technology. The money would also allow for more time to do pro bono work for the community.  
Jeffersonton, VA

**Pamela Parker** is the owner of A La Maison Senior Relocation Services, which helps move persons 50 years of age or older to placements. The payment of self-employment taxes on health insurance premiums has greatly affected Pamela. She says, "I have health insurance for myself ONLY because I'm a member of the NASE! I am just starting my relocation business and it is difficult at best to stay ahead of my personal expenses and operate a business." If Pamela had this extra money, she would reinvest it in her business which would trickle down as savings for her clients for services rendered.  
Newport News, VA

**Erin Smith** is a lawyer in North Montpelier who is currently paying an additional \$521.00 as a result of the self-employment tax. "The higher my overhead, the more 12 hour days and the more weekends I have to work, which means the less time with friends and family and getting exercise and peaceful activities," she comments. "I would reinvest it in my business and myself with more time off, so I'd be more refreshed when working."  
N. Montpelier, VT

**Gary Felten** is a small business owner. Gary would save \$1,469 in taxes each year if he did not have to pay self-employment tax on his health insurance premiums. Jim would rather reinvest this money to grow his business and hire additional employees.  
Renton, WA

**Susan McAliley** is the owner of Sumac Graphics and pays about \$550.00 each year in additional taxes. She says, "It's hard enough finding work as a self-employed artist" and that this extra expense burdens her and takes "away from my ability to market myself better and pay for supplies."  
Seattle, WA

**Raymond Thorne** refinishes and restores furniture, which costs him an extra \$200.00 as a member of the self-employed community. As the owner of Ray's Workbench, he says "I would probably use it to purchase more clamps, or other specialized tools, or do more advertising and promotion or buy more safety equipment."  
Greenbank, WA

**John Kafer**, a small business owner from Fountain City, says the following about the self-employment tax on health insurance premiums: “I am an associate in a three man representative agency that promotes products for small American manufacturers in the Midwest. Being as we are all self-employed it is prohibitive to purchase health insurance coverage. I have been forced to buy only catastrophic coverage (high deductible) in order to make it affordable. I pay for all my own medications since my deductible is too high to cover them. It would at least be helpful if I received some tax relief for this cost, but it would be even nicer if I could belong to a group or somehow get full health insurance coverage at a cost that won't break me.

Fountain City, WI

**Troy Minor**, owner of his own construction company in Silver Cliff, pays an additional \$730.73 annually in self-employment tax on health insurance premiums. This extra cost hurts his business because it “Takes money away that could be used on the high prices we pay on gasoline each month. We are located in an area where our jobs are 30 min. to over one hour away. We don't have extra money to be paying to the government we're a small business in a small community. We provide employment in an area where there is very little in the way of jobs, with extra taxes we might have to lay off an employee.” Troy says that he would use the extra money he would save with a tax break to reinvest in his business.

Silver Cliff, WI

**Michael Melcher** is the owner of WonderWall Wallpaper, a wallpaper and contracting business. Michel would save \$554 in taxes each year if he did not have to pay self-employment tax on his health insurance premiums. He says he could certainly use this extra money for expanding the business.

Martinsburg, WV

**Larry Mann** is the owner of Greener Pastures LLC, an electrical contracting business. Larry would save \$918 in taxes each year if he did not have to pay self-employment tax on his health insurance premiums. Larry says that this self-employment tax increases his healthcare burden and takes money away from other parts of his business. Instead, Larry would rather reinvest in his business by buying more office supplies, tools and giving employees raises.

Lindsay, WV

**James Gardner** is the owner of Gardner Machine & Repair. James would save \$606 in taxes each year if he did not have to pay self-employment tax on his health insurance premiums. James says this taxation hurts his business in added healthcare costs. He cannot offer insurance for his employees because he would have a hard time affording it. James adds, “I applaud any effort to reduce inequities in our taxation, and only hope that the same effort will go toward the correction of inequities in our healthcare system.”

Kinnear, WY