



National Association for the Self-Employed

NASE Legislative Offices • 1200 G Street, NW, Suite 800 • Washington, DC 20005

Phone: 202-466-2100 • Fax: 202-466-2123 • www.nase.org

A Micro-Business Story Eliminating the Self-Employment Tax on Health Insurance Premiums

Ann-Louise Ott, Bayley Davis Associates, Seattle, Washington

Ann-Louise Ott wrote the following to the NASE:

“My company is Bayley Davis Associates, Inc., a tax prep and accounting firm, whose clients are largely self-employed, so this is a critical issue to us.

All my self-employed clients are negatively impacted by having to pay self-employment tax on their health insurance premiums, which are already WAY too high in the first place. In some cases it makes the difference between whether they do or do not perceive that they can afford health insurance in the first place - many of them go uninsured.

My average self-employed client who DOES have health coverage is married and has one child, and their health premiums average \$735/month. Their annual savings if they did NOT have to pay self-employment tax on the premiums would be \$1,349.46. I cannot say what my clients would do with the savings if they did not have to pay this added tax - if it was me I'd invest more in my own company by upgrading equipment and expanding the offices. The point is that it is grossly unfair to penalize self-employed individuals in this manner.

An employee of a business who offers health insurance does not have to pay additional FICA, and their employers have been able to deduct it fully before paying income taxes. Until this year, self-employed couldn't even deduct 100% of it prior to paying income taxes. Self-employed are creating jobs for people even in this shaky economy, so why penalize them for it?

Ann-Louise Ott
7327 26th Ave SW
Seattle, WA 98106