



Coalition Supporting Equity for Our Nation's Self-Employed

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New Small Business Coalition Fights to End Tax Disparity for the Self-Employed

'Equity for Our Nation's Self-Employed' Works to Level Playing Field for Self-Employed Americans

Washington, D.C., September 15, 2003 – As Washington focuses on the needs of entrepreneurs during the U.S. Small Business Administration 50th anniversary celebration this week, a new coalition of small business trade associations joins together to fight a discrimination within the tax code that penalizes self-employed Americans, forcing them to pay an extra 15.3 percent in taxes on their health coverage costs every year.

Current tax law requires sole proprietors to pay 15.3 percent in self-employment tax (FICA tax) on their health insurance premiums, while larger businesses are able to deduct the expense as a regular cost of business. *Equity for Our Nation's Self-Employed*, a coalition of leading small business trade associations, supports H.R. 1873, the Self-Employed Health Care Affordability Act, to fix this disparity.

Members of the coalition supporting Equity for Our Nation's Self-Employed include:

*American Farm Bureau Federation
American Small Business Alliance
Communicating for Agriculture & the Self-Employed
Computing Technology Industry Association
Council of Smaller Enterprises
National Association for the Self-Employed
National Association of Women Business Owners
National Federation of Independent Businesses
National Small Business Association
Small Business Legislative Council
Small Business Survival Committee
Society of American Florists
U.S. Chamber of Commerce
U.S. Hispanic Chamber of Commerce
Women Entrepreneurs, Inc.
Women Impacting Public Policy*

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The average self-employed individual pays \$9,068 annually in health insurance premiums for family coverage, according to a 2003 Kaiser Family Foundation study. Under the current tax code, this sole proprietor would pay \$1,387 (15.3 percent) in self-employment taxes on this amount while other business entities can fully deduct their health costs.

“Other business owners have the opportunity to pay for health insurance premiums before any tax calculation is applied to the earnings of their officers and employees,” said Keith Hall, a self-employed certified public accountant from Dallas, TX. “This means that before anything else is taken into consideration, the cost of my health insurance is up to 15.3 percent higher than the owner of the business next door, solely because I am self-employed. He may have the same size family, the same health concerns, and the same medical history, but I will still pay 15 percent 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 Health Care Affordability Act would level the playing field for the self-employed and allow them to fully deduct their health coverage costs. H.R. 1873 comes at a time when small-business owners face uncertainties in how they will fare in the current economic conditions and are anxious to recover cash for the day-to-day operations of their businesses. For self-employed individuals like Christine Krupinski, it is time for the federal government to step up to help “Main Street” businesses as the country’s economic backbone.

“I would love to buy new graphic design tools for my business, but don’t have the money to,” said Krupinski, owner of CK Art and Design in Fairfax, VA. “But if I were able to save the extra money that I pay in taxes on my health insurance premiums, I would be able to purchase the tools, putting that money back into the economy while bettering my business.”

The added cost on top of already sky-rocketing premiums is also often a deterrent for the self-employed to purchase health insurance. Today, more than 60 percent of the 41 million uninsured Americans are from families headed by a self-employed person or working for a small business.

For more information on the self-employment tax on health insurance premiums disparity, or H.R. 1873, visit www.taxequity.org.

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