



## **National Association for the Self-Employed**

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

Ken Cote, KnK American Pest Control, Kankakee, Illinois

Ken Cote, of Kankakee, Illinois, opened KnK American Pest Control in 1994. It is his first venture as a self-employed individual, starting the micro-business after the factory where he worked closed.

While Ken has a high deductible health insurance plan for himself and his wife, the premiums are over \$7,800 annually. In addition, last year, Ken spent another \$4,800 on prescriptions, dental co-pays and other non-covered health care needs. Because he is a sole proprietor, Ken also pays an extra \$1,200 each year in self-employment tax on his health insurance premiums.

If Ken did not owe the additional \$1,200, he would put that money towards hiring his son full-time to work for the business. Currently, his son, daughter and son-in-law all help out with KnK on a part-time basis. Each has another job, which provides health coverage for themselves and their families. Ken has the capital to hire his son full time, and offer him a competitive wage to what his current job offers, but cannot afford absorbing the cost of health insurance for an employee and their family. The extra money Ken pays in self-employment tax could be used to cover the cost of providing health insurance for his son as an employee.

Ken says this about the current state of health coverage for micro-businesses:

“I have often wondered why I am a second-class citizen who cannot deduct health insurance premiums, as compared to the businesses I compete against that can deduct these expenses. Why is my business treated differently? ... Changes need to be made to the health care system today. Those with employer-provided health insurance do not realize the run away cost of health care. The health care system has no checks and balances. Health care providers charge whatever they want without fear of competition. Consumers have no alternative except to pay. Insurance companies don't care what the health care providers charge because they negotiate huge discounts on each bill. The only people who get hurt are the uninsured who must pay the full cost of the health care and those who must buy their own insurance... There is something wrong with this health care system. It needs to be fixed.”

For more information on access to affordable health coverage for the self-employed and micro-businesses, contact Maureen Petron, NASE public affairs manager, at (202) 466-2100 or [mpetron@nase.org](mailto:mpetron@nase.org).