



National Association for the Self-Employed

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

Sheldon Sparks, Sierra Funeral Home and Sierra Crematory,
Truth or Consequences, New Mexico

Sheldon Sparks and his wife, Christy, opened Sierra Funeral Home and Crematory in 1997, his first venture as self-employed. Sheldon says he started his own business so that he could control his own business practices and provide a sound financial future for his family. What Sheldon did not count on was the high cost of health insurance coverage.

Sheldon carries catastrophic health coverage for himself and his wife. For this plan – which only covers major hospitalization – Sheldon pays \$338 per month, or \$4,050 annually. Because he is a sole proprietor, this also means that Sheldon owes an extra \$620 in self-employment tax on top of his premiums. The high premiums also mean that Sheldon's four children rely on Medicaid, and that he cannot offer health coverage to his one employee.

If Sheldon were able to deduct the cost of his premiums before calculating self-employment tax, as corporations are able to do, he would reinvest in Sierra Funeral Home and Crematory. He says he would like to grow and expand, as well as offer more to his customers.

“We are running our business on a very tight string,” he says. With the extra \$620, Sheldon says he “would like to offer more guidance and informational instruction for folks in our area via radio, television, mail outs, seminars, newspaper and brochures.”

About access to affordable health coverage for the self-employed, Sheldon says: “Insurance premiums and medical expenses are beyond the reach of most in America with the wages offered today, especially in New Mexico. Because premiums are so high for full coverage, we elected to purchase major hospitalization. I might be able to handle the little stuff, doctor's visits, prescriptions, etc., but I cannot handle a major hospital stay. Consequently, we don't visit the doctor for routine medical care or for viral illnesses and such.”

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.