

**NAWBO Call to Action
Tax Equity for Small Business
Self Employed Health Care Deduction
July 2003**

Background:

- Currently self-employed business owners (sole proprietors) must include in income the cost of their health insurance premiums.
- Current law does allow a deduction when calculating individual income taxes. However, this deduction is not applicable for payroll taxes, such as Social Security and Medicare taxes, which are regressive taxes and often amount to more than what is paid by small businesses in income taxes.
- The C corp owner-employee is able to deduct health insurance premiums from all taxes.

Position:

- NAWBO supports basic fairness for tax purposes for all types of business organizations. The privilege of deducting legitimate business expenses should no longer be based upon the entity chosen to operate the business.
- NAWBO is a member, along with WIPP, NFIB, US Chamber of Commerce, National Association of the Self-Employed (NASE), National Small Business Association (NSBA), and other small business organizations, of the Equity for our Nation's Self-Employed Coalition, which will advocate passage of legislation to ensure tax fairness for the nation's 16 million self-employed business owners.

Current Legislation:

- On April 30, 2003 House Small Business Committee Chairman Don Manzullo and Committee Ranking Democrat Member Nydia Velázquez (D-NY) introduced HR 1873, *The Self-Employed Health Care Affordability Act*. It was referred to the House Committee on Ways and Means. The bill has 22 cosponsors.
- This bill amends the Internal Revenue Code of 1986 to provide that the deduction for the health insurance costs of self-employed individuals be allowed in determining self-employment tax. These individuals pay a 15.3 percent payroll tax on top of their individual income tax, so allowing them to deduct these costs would effectively reduce their total tax bill.
- This bipartisan bill would be a perfect addition to the economic stimulus legislation because it strengthens the bottom line for those who have historically pulled us out of our tough times -- small businesses.

Action Required:

- Go to www.house.gov to assess the web sites of the Representatives on the Committee on Ways and Means. Click on 'Committees on Ways and Means', and then click on 'Members' – lower right. Each committee member will be listed, along with the link to his / her website. From there you can email the sample letter below by copying and pasting it into the required form or copy it to your letterhead and fax it.
- Do the same for your own Representative. On the left side of the House home page, click on '**Write your Representative**'. Fill in two parameters – state and zip. Click '**contact**' and the web site for that rep will appear. From that point follow the instructions for contacting your rep.
- Go to <http://thomas.loc.gov> and key in the bill number to get additional details.

Additional details are available from Sallie Mullins Thompson at smt@wt.net.

Sample Letter:

Date

The Honorable (the Representative's full name)

Office address

Washington, DC 20515

Dear Congressman / woman (last name):

As the (your title) of (business name) in (City, State), as a small businessperson, and as a member of National Association of Women Business Owners (NAWBO), I am concerned about the inequities in the current tax code for self-employed business owners (sole proprietors). It is the belief of many small business owners that the privilege of deducting legitimate business expenses should not be based upon the entity chosen to operate the business.

Therefore, I am writing to ask for your support of H.R. 1873, either as a cosponsor; with your vote on the House floor or as a member of your committee, if applicable; and / or by including its provisions as an amendment in any bills you introduce this session. H.R. 1873, known as *The Self-Employed Health Care Affordability Act*, amends the Internal Revenue Code of 1986 to provide that the deduction for the health insurance costs of self-employed individuals be allowed in determining self-employment tax.

The bill **removes** the requirement for self-employed persons to include in their income the cost of their health insurance premiums, which effectively allows a deduction of these costs for all taxes, including payroll. Beginning in 2003 the self-employed **are** able to deduct 100% of the cost of these premiums. However, this applies for income taxes **only**, not for payroll taxes, such as Social Security and Medicare taxes, which are regressive taxes and often amount to more than what is paid by small businesses in income taxes. The C corp owner-employee is able to deduct health insurance premiums from all taxes.

This bipartisan bill would be a perfect addition to the economic stimulus legislation because it strengthens the bottom line for those who have historically pulled us out of our tough times -- small businesses. Should not these smallest businesses have the same opportunity to deduct their health insurance costs as large corporations currently enjoy?

NAWBO is a member, along with Women Impacting Public Policy (WIPP), NFIB, US Chamber of Commerce, National Association of the Self-Employed (NASE), National Small Business Association (NSBA), and other small business organizations, of the Equity for our Nation's Self-Employed Coalition. This coalition will advocate passage of H.R. 1873 to ensure tax fairness for the nation's 16 million self-employed business owners.

I hope that I can count on your support for this sensible legislation that will help strengthen and grow the US economy.

Sincerely,

Your Signature

(Your Name)
(Title)
(Contact Information)