

NFIB CARRIES THE VOICE OF SMALL BUSINESS TO CAPITOL HILL: Self-Employment Tax Deductibility of Health-Care Costs



NFIB supports changing the tax law to expand the deductibility of health insurance so that all who purchase their own health insurance receive an immediate 100 percent tax deduction.

- Census data indicate that among the estimated 45 million Americans without health insurance, more than percent are from families in which the head of household is self-employed or working for a company with fewer than 100 employees.
- Tax deductibility of health insurance is another important way for small-business owners and their employees to be able to afford skyrocketing health insurance costs.
- The self-employed are required to pay two types of taxes on their annual tax returns: income tax and self-employment tax. While small businesses are able to fully deduct the costs of health care from their annual income, the code still prevents entrepreneurs from deducting these costs from the wage base for self-employment taxes (Social Security and Medicare). This means entrepreneurs are treated differently than individuals who receive their health care from a corporation--they are forced to pay more taxes simply because they are self-employed.
- NFIB believes the current tax deductibility rules regarding health insurance are unfair to small-business owners and individuals who are not insured through employer-provided plans. These individuals are given little, if any, tax benefits.
- In the 108th Congress, NFIB supported H.R. 1873, the Self-Employed Health Care Affordability Act of 2003, which would have provided for the deduction for the health insurance costs of self-employed individuals while determining self-employment tax.

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