



[A similar letter was sent to The Honorable Donald Manzullo, Chairman, House Small Business Committee]

April 4, 2006

VIA Facsimile and E-Mail

The Honorable Melissa Hart
United States House of Representatives
1024 Longworth House Office Building
Washington, DC 20515

RE: H.R. 4961, The Equity for Our Nation's Self-Employed Act

Dear Congresswoman Hart:

I am writing to commend you for taking a positive stand for equity for our nation's self-employed by introducing the Equity for Our Nation's Self-Employed Act (H.R. 4961). The Office of Advocacy (Advocacy) strongly supports this legislation. H.R. 4961 is a bold step toward making health care more affordable for the 10 million self-employed taxpayers and their families.

Congress established Advocacy under Pub. L. 94-103 to represent the views of small businesses before Federal agencies and Congress. Advocacy is an independent office within the U.S. Small Business Administration (SBA), so the views expressed in this letter do not necessarily reflect the views of the SBA or the Administration.

In 2003 Congress passed legislation, signed by President George W. Bush, which permits the self-employed to fully deduct their health insurance premiums for purposes of their income taxes. This was an important milestone in reducing the disadvantage self-employed taxpayers face with respect to health insurance affordability. Despite the 2003 legislation, the inequity with respect to access to health insurance has continued because the self-employed are not permitted to deduct their health insurance premiums when calculating their payroll taxes. This unfair practice adds a 15.3 percent tax to their health insurance premiums that other working Americans do not pay.

The Office of Advocacy just released a study entitled, "Health Insurance Deductibility and Entrepreneurial Survival" (Tami Gurley-Calvez, April 2006). This study shows that the presence of a health insurance deduction decreases the probability of an entrepreneur's exit from business. For single tax filers the rate of entrepreneurial exit decreased by just over 10 percent. Health insurance deductibility decreased the rate of entrepreneurial exit among married tax filers by 65 percent. Leveling the field with respect to health insurance deductibility will have a significant positive effect on the viability of entrepreneurial activities. I have attached a copy of our study for your reference.

Thank you for your efforts on behalf of small businesses.

Sincerely,

/s/

Thomas M. Sullivan
Chief Counsel for Advocacy