

Health Care Surcharge

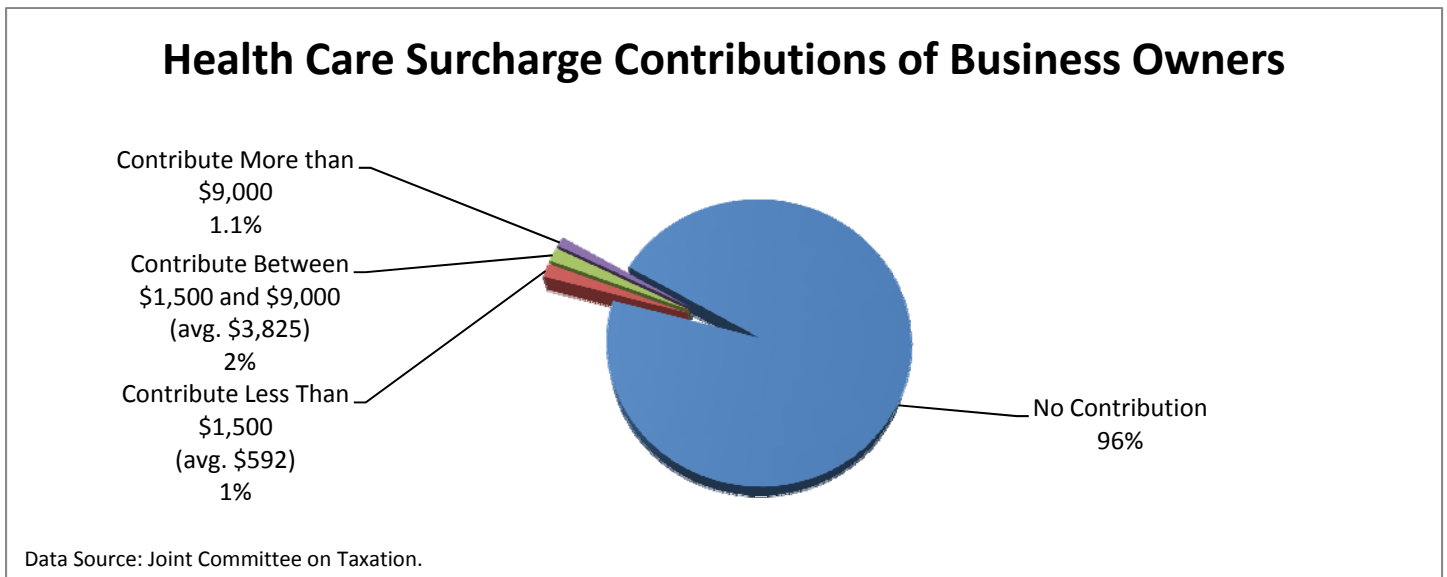
96% of Sole Proprietorships, Partnerships and S Corporations Not Affected

Some have asserted that the surcharge significantly burdens sole proprietors and businesses that are operated through partnerships and S corporations. **This is simply untrue.**

- The nonpartisan Joint Committee on Taxation (JCT) has found that only 4.1% of sole proprietors, partners and S corporation shareholders operating a business would be affected by the health care surcharge.
- **Want a second opinion?** The independent Tax Policy Center has calculated that only 4.2% of sole proprietors, partners and S corporation shareholders that operate a business would be affected by the health care surcharge.

Those numbers include all taxpayers with as little as \$1 of business income. If you dig into these numbers, you find that three quarters of these “business owners” derive the majority of their income from non-business sources. *Source: Tax Policy Center.*

Furthermore, only the wealthiest 1.1% of business owners would be required to pay more than \$9,000 under the health care surcharge. *Source: JCT.* **These wealthy business owners are not what you would consider to be small business owners – they include hedge fund managers, private equity fund managers, lawyers and lobbyists making millions of dollars a year.**



Sole proprietorships, partnerships, and S corporations would continue to benefit from a significant tax advantage relative to their corporate competitors. Corporate profits are subject to two levels of tax. First, these profits are subject to the corporate income tax and then these profits are subject to the individual income tax. Arguing that family-owned companies and closely held S corporations would be a tax disadvantage relative to corporations is simply incorrect. Furthermore, if a business believes it would receive better tax treatment as a corporation it can easily elect to be treated as a taxable corporation.