



**Statement for the Record  
Submitted to the Ways and Means Committee  
United States House of Representatives  
Washington, D.C.**

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April 26, 2012**

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The National Association for the Self-Employed (NASE) respectfully submits this official statement for the record for today's hearing on expired and expiring tax provisions. While we understand the hearing is limited to tax provisions that expired in 2011 and will expire in 2012, we would be remiss if we did not bring to the attention of the Committee key tax provisions that expired in 2010. Specifically, the ability for the self-employed to deduct their health insurance as a business expense and the start-up deduction for brand new businesses are both particularly important. We believe that if the Committee reviewed and in some cases, retroactively applied these tax credits to the 2011 and current tax years, the self-employed community would reap the rewards in a financially meaningful way.

The NASE would like to go on record for supporting the continued extension of the individual income tax rates originally outlined in the "*Economic Growth and Tax Relief Reconciliation Act of 2001*" and subsequently extended for an additional two years in 2010 through the "*Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010*." Nearly all of the 22 million self-employed file as individuals and therefore, any increase in the individual tax rate would significantly burden the self-employed community and further add tax inequities for the self-employed.

Under the current tax system, the self-employed are unable to deduct the cost of their health insurance premiums for the purposes of the Self Employment tax. They are the only business entity that does not receive the tax option of deducting the full costs of their health insurance. The result of this unfair tax burden means that the self-employed pay an additional 15% in taxes. Already the cost of affordable health coverage is becoming more and more challenging for the self-employed, however, the ability to deduct their health insurance premiums would result in tax savings ranging from approximately \$456 to \$968 annually. In turn, the self-employed could take that savings and reinvest in their businesses, which would result in much needed economic stimulus. In the tax year 2010, the self-employed community benefitted from a one-year deduction that was included in the, "*Small Business Jobs Act*." Currently, H.R. 880, "*Equity for Our Nation's Self-Employed Act of 2011*," introduced by Congressman Wally Herger and cosponsored by a group of nineteen bipartisan lawmakers, would make permanent the tax deduction, retroactively from its expiration. Additionally, in the Senate, Small Business Committee Chair, Senator Mary Landrieu, and Ranking Member, Senator Olympia Snowe, have introduced S. 2050, "*Small Business Tax Extenders Act of 2012*," which would allow for a two-year deduction. From the Committee's perspective, while your work is focused on expired 2011 and expiring 2012 tax credits, both chambers have introduced and put forth proposals to address the expired health insurance premium deduction.

As with the health insurance deduction, the start-up deduction was also a part of the 2010 passed, "*Small Business Jobs Act*." The 2010 bill increased the start-up deduction from \$5,000 to \$10,000. The deduction served as a motivator for entrepreneurs to become a part of the self-employed community, which was especially helpful given the well-known struggle in accessing capital individuals starting their own businesses

routinely face. With the expiration of the deduction, Rep. Hank Johnson and Rep. Charlie Dent have taken the lead in introducing, H.R. 4032, *"Help Entrepreneurs Create American Jobs Act of 2012,"* which would make permanent the \$10,000 deduction level. Mr. Johnson and Mr. Dent are joined by 27 of their House colleagues in supporting this initiative. In the Senate, Senators Landrieu and Snowe have included a two-year extension of the deduction in S. 2050, *"Small Business Tax Extenders Act of 2012."*

While we respect the Committee's decision to focus today's hearing on the expired 2011 and expiring 2012 tax provisions, we feel as though it is shortsighted. Given the current economic and political climate, the NASE feels that it is necessary for lawmakers to act quickly to review all expired and expiring tax credits. Currently the self-employed community stands at nearly 22 million Americans, the largest business sector in the United States. For this Committee and Congress not to address tax relief for the self-employed, verges on a grave miscarriage of justice for the 22 million self-employed who are single-handedly pushing the economy beyond the recession.

We implore this Committee to undertake a comprehensive review of all expired and expiring tax credits that would serve to further stimulate the economy and target key business demographics, like the self-employed. Unfortunately, to date, legislation aimed and enacted at the "small business" community has all but ignored the self-employed. As the Committee works towards the goal of tax reform before the adjournment of the 112<sup>th</sup> Congress, we ask that you include the health insurance premium and start-up deductions to the package and that all future tax reform efforts include both corporate and individual tax reform.

The National Association for the Self-Employed stands ready and willing to assist the Committee in its work, as we believe true tax reform and addressing the current inequities in our tax code towards to the self-employed will serve to pull this country fully out of the current economic recession and provide an environment for the self-employed and future entrepreneurs to thrive.

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