

July 6, 2016

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The Honorable Vern Buchanan
2104 Rayburn House Office Building
U.S. House of Representatives
Washington, DC 20515

Dear Representative Buchanan:

On behalf of the more than 1.1 million members of the National Association of REALTORS®, I thank you for introducing the “Equity for Our Nation’s Self-Employed Act of 2016.” This legislation would allow self-employed individuals to claim a deduction for health insurance premiums in computing the amount of self-employment tax they owe. Your bill addresses an often-overlooked but very real problem for millions of Americans who are self-employed.

Self-employed individuals, including the great majority of REALTORS®, have long sought parity in the tax treatment of health insurance expenses between themselves and wage-earners whose insurance costs are paid by their employers, and also between themselves and employers organized in the corporate form. Being self-employed, these entrepreneurs have elements in common with both employees and with corporate employers. However, for many years the tax code did not treat them on par with either group.

Wage-earners have always been able to exclude employer-provided health insurance from their income for both income tax and Social Security tax purposes. Corporate employers, as well, have always been able to deduct the cost of health insurance premiums for the income tax and also for determining their liability for the employer portion of the Social Security tax. However, until 1987, self-employed individuals could not deduct the cost of health insurance premiums paid for themselves either for income tax or for Social Security tax purposes.

The 1986 Tax Reform Act provided a limited and temporary income tax and self-employment tax deduction for health insurance purchased by self-employed individuals. However, upon extending the deduction in the Technical and Miscellaneous Revenue Act of 1988, Congress removed the deduction for purposes of the self-employment tax. The limited income tax deduction was still temporary and was extended many times before being made full and permanent, effective for 2003 and thereafter.

Even though parity was reached on the income tax side in 2003, the self-employed still find themselves at a disadvantage to wage-earners and to corporate employers in terms of deducting the cost of health insurance premiums for the self-employment tax. This is the inequity that your bill so wisely addresses.

If enacted, the “Equity for Our Nation’s Self-Employed Act of 2016” would finally correct this overlooked and unfair result by making health insurance costs deductible for self-employment tax as well as for income tax purposes. By so doing, it would be a benefit to every self-employed person striving to make a success of his or her business, often against significant challenges.

Again, thank you for your leadership on this important issue. We look forward to working with you and your colleagues in continuing to make the tax code more fair and to assist self-employed Americans in lowering unnecessary barriers to success.

Sincerely,



Tom Salomone
2016 President, National Association of REALTORS®

