

# TAX TOPICS

## Self-Employed: Take A Tax Deduction On Health Costs

(NAPSA)—There could be big news for the nation's smallest businesses in this country and the people who work for them.

The Small Business Jobs and Credit Act provides an important tax break for the over 23 million self-employed Americans who represent 78 percent of all small businesses in the U.S., according to the National Association for the Self-Employed (NASE).

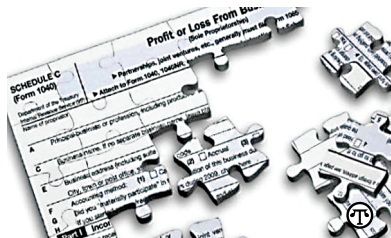
Until now, the self-employed couldn't get the same tax benefit for health insurance expenses that others enjoy. Other companies can fully deduct the cost of health coverage as a business expense, saving a significant amount in payroll taxes. Now, the self-employed can take a one-year tax deduction for health costs in determining their payroll tax (self-employment tax).

Here are some tips on this new deduction:

1. To qualify for this deduction, self-employed business owners must meet the following three criteria:

- File an IRS Form 1040, Schedule C tax form or Schedule E with earned income—this includes sole proprietors, single member LLCs and sole owner S Corporations; and

- Pay self-employment taxes via IRS Form 1040 Schedule SE; and



**When you file IRS Form 1040, Schedule C, you can deduct your health costs from 2010.**

- Pay for individual or family health coverage.

2. The deduction is available for health costs paid in 2010. Business owners can ask their tax professional if they may take advantage of the deduction when preparing taxes for the April 15, 2011 deadline.

3. To calculate savings, simply add up your total 2010 health insurance costs and multiply that by 15.3 percent. If, however, your annual income is above the maximum wage limit subject to payroll (FICA) taxes, currently \$106,800, then you'll get a lower tax benefit.

Join entrepreneurs across the country who are urging their legislators to make this tax deduction permanent for the self-employed. Find your lawmakers at the NASE's Legislative Action Center at [www.NASE.org](http://www.NASE.org).