

Eddison Walters Self-Employment Tax Modernization Reform Entrepreneurship Revitalization Negative Marginal Returns Adjustment Theory: Tax Reform for Forgotten American Workers That Will Increase Tax Revenue in Today's Technological Driven Economy

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Abstract: *Technological advancement's impact has significantly affected the entire United States economy, including the increasing self-employment tax burden for many Americans struggling to keep their head above water. Small business failure continues while many Americans see self-employment tax burden increase. The number of business failures started outpacing new business startups in 2008, coinciding with the Global Financial Crisis. Research in the Literature presented evidence that technological advancement was the most significant factor causing the housing price increase facing the country today. The false conclusion that the United States economy experienced a housing bubble in the past was because policymakers did not understand that once local housing markets transformed into global housing markets through technological transformation between 1995 and 1999. Because the trend of failure of small business coincided with the Global Financial Crisis the evidence suggested there are questions policymakers need to understand about how technological advancement has influenced economic policy failures. The impact of technological advancement on the increasing burden of self-employment taxes for many hardworking Americans is also a topic of consideration for policymakers as tax reform policies become a priority of the incoming Trump Administration. Many policymakers stuck in their thinking of policy positions based on the past have yet to consider the need to adopt new policies*

as the country moves into the new age of information technology. Policymakers have debated wage stagnation and approaches to increasing working families' income in the United States. Still, they have yet to consider self-employment tax reform policies as an option to expand the middle class. Many policymakers have not considered how employment has evolved because of technological advancement and the gig economy. Policies aimed at adjusting to the technologically driven economy can help lift families into the middle class as the country adapts to today's technologically driven economic environment. Many on the political Left have called for a minimum wage increase to lift families into the middle class. At the same time, the Right argues that employers will pass the cost along to customers or reduce labor costs through automation, which will eliminate jobs. The study by Gindling (2024) concluded that increasing the minimum wage has a marginal impact on decreasing poverty, so there are more practical solutions than increasing the minimum wage. Policies that can help the economy flourish in the new technological advancement-driven information economy are critical to the debate. Eddison Walters Self-Employment Tax Modernization Reform Entrepreneurship Revitalization Negative Marginal Returns Adjustment Theory highlights the need to adopt self-employment tax reform policies to encourage entrepreneurship and facilitate economic growth as the American economy adapts to the technological advancement-driven economy.

Keywords: Eddison Walters self-employment tax modernization reform entrepreneurship revitalization negative marginal returns adjustment theory, Eddison Walters modern economic analysis theory, Eddison Walters housing market globalization theory, Eddison Walters real estate housing technology structural change transformational theory

INTRODUCTION

Technological advancement's impact has significantly affected the entire United States economy, including the increasing self-employment tax burden for many Americans struggling to keep their head above water. Small business failure continues while many Americans see self-employment tax burden increase. The number of business failures started outpacing new business startups in 2008, coinciding with the Global Financial Crisis. Research in the Literature presented evidence that technological advancement was the most significant factor causing the housing price increase facing the country today. The false conclusion that the United States economy experienced a housing bubble in the past was because policymakers did not understand that once local housing markets transformed into global housing markets through technological transformation between 1995 and 1999. Because the trend of failure of small business coincided with the Global Financial Crisis the evidence suggested there are questions policymakers need to understand about how technological advancement has influenced economic policy failures. The impact of technological advancement on the increasing burden of self-employment taxes for many hardworking Americans

is also a topic of consideration for policymakers as tax reform policies become a priority of the incoming Trump Administration. Many policymakers stuck in their thinking of policy positions based on the past have yet to consider the need to adopt new policies as the country moves into the new age of information technology. Policymakers have debated wage stagnation and approaches to increasing working families' income in the United States. Still, they have yet to consider self-employment tax reform policies as an option to expand the middle class. Many policymakers have not considered how employment has evolved because of technological advancement and the gig economy. Policies aimed at adjusting to the technologically driven economy can help lift families into the middle class as the country adapts to today's technologically driven economic environment. Many on the political Left have called for a minimum wage increase to lift families into the middle class. At the same time, the Right argues that employers will pass the cost along to customers or reduce labor costs through automation, which will eliminate jobs. The study by Gindling (2024) concluded that increasing the minimum wage has a marginal impact on decreasing poverty, so there are more practical solutions than increasing the minimum wage. Policies that can help the economy flourish in the new technological advancement-driven information economy are critical to the debate. Eddison Walters Self-Employment Tax Modernization Reform Entrepreneurship Revitalization Negative Marginal Returns Adjustment Theory highlights the need to adopt self-employment tax reform policies to encourage entrepreneurship and facilitate economic growth as the American economy adapts to the technological advancement-driven economy.

Background of Study

Technological advancement has transformed the United States economy, causing structural employment changes that have increased the number of American taxpayers subject to the higher rate of 15.3% self-employment taxes. Tax reform policy has yet to adapt to the new reality of today's globalized economy. Technological advancements have resulted in the emergence of the gig economy and placed the additional burden of self-employment taxes on struggling American families in today's challenging economic environment. Today, more Americans are subject to self-employment taxes as business failures continue to increase. Business failures have outpaced new business startups, causing a decline in small business and job creation in the United States economy. Self-employment tax reform policy can provide tax relief to struggling families while boosting entrepreneurship, resulting in economic growth and increased income tax revenues for the United States government.

Statement of The Problem

Self-employment tax, which is separate from income tax at a rate of 15.3%, is a tax that covers Social Security and Medicare (IRS.gov, 2024). Social Security and Medicare taxes place an additional burden on individuals who generate income from self-employment (Thomas, 2018). The burden of self-employment tax differs from employee-paid employment taxes on wages of W-2 workers because the tax burden for employees is divided evenly between employees and

employers. Employees are responsible for 7.65% of taxes for Social Security and Medicare on their wages. Employers are responsible for the other 7.65 % of taxes on wages to cover Social Security and Medicare (Thomas, 2018; IRS.gov, 2024). Self-employment tax at a rate of 15.3% places such a significant burden on taxpayers. The marginal tax rate discourages self-employment and entrepreneurship because the evidence suggests that self-employment tax may have well passed the rate of diminishing marginal returns, moving into negative marginal returns that decrease the revenue generated from income tax by the Internal Revenue Service (IRS).

Purpose of Study

The emergence of the gig economy has resulted in a significant growth in the number of individuals earning income as self-employed independent contractors, which has significantly increased the tax burden for many Americans, including low-income workers. The evidence suggested that the marginal self-employment tax rate may have resulted in negative marginal revenue from income taxes for the United States government. While the number of individuals reporting self-employment continue to increase, business failures outpace the number of new startups. Small businesses are critical to the United States' economic growth because small businesses employ the majority of American workers. New business startups are also critical to economic growth because new business startups account for as much as 3% of new job creation in the United States per year. Literature suggested the marginal rate of self-employment taxes discourage individuals from engaging in entrepreneurship. The evidence suggested self-employment tax reform to reduce marginal self-employment tax rates can yield significant benefits for taxpayers, decreasing the marginal tax burden from self-employment, resulting in a significant increase in income reported on income tax returns, while increasing revenues from income taxes for the United States government.

Moreover, the literature noted that 73% of business failures are associated with problems from cashflow. The incentive to report higher income on tax returns resulting from self-employment tax reform will allow small businesses to have greater access to working capital that may significantly reduce business failures while encouraging entrepreneurship entrance. The study presented Eddison Walters Self-Employment Tax Modernization Reform Entrepreneurship Revitalization Negative Marginal Returns Adjustment Theory to highlight the problem created by negative marginal tax revenue from the higher rate of self-employment taxes and propose policy reforms to decrease the burden of self-employment taxes for millions of American workers, while significantly increase income tax revenues to the United States Federal Government.

Research Question

Does the evidence support the need for Eddison Walters Self-Employment Tax Modernization Reform Entrepreneurship Revitalization Negative Marginal Returns Adjustment Theory that provide insight into negative marginal tax revenue caused by the higher rate of employment taxes,

that may have the effect of decreasing revenues from income taxes for the United States federal government?

Hypothesis

Ho: The evidence suggested Eddison Walters Self-Employment Tax Modernization Reform Entrepreneurship Revitalization Negative Marginal Returns Adjustment Theory will not benefit policymakers by highlighting negative marginal tax revenue caused by the higher rate of self-employment taxes, which decrease income tax revenues generated by the IRS.

Ha: The evidence suggested Eddison Walters Self-Employment Tax Modernization Reform Entrepreneurship Revitalization Negative Marginal Returns Adjustment Theory will benefit policymakers by highlighting negative marginal tax revenue caused by the higher rate of self-employment tax, which decreases income tax revenues generated by the IRS.

Nature of Study and Scope

The study was qualitative research to underscore the need for self-employment tax reform by introducing Eddison Walters Self-Employment Tax Modernization Reform Entrepreneurship Revitalization Negative Marginal Returns Adjustment Theory that highlights negative marginal tax revenue caused by the higher rate of self-employment tax, which decreases income tax revenues generated by the IRS.

Limitation

The study was limited to data analysis from existing secondary data and existing peer-reviewed research publications.

Literature Review

There are real consequences for the American people from failure by policymakers who continue to ignore the impact of technological advancement on self-employment tax rates and entrepreneurship. Walters (2024) cited Kahai (2011), describing how technological advancement significantly changed the economy. Data analysis by Walters (2019) suggested that technological advancement accounted for 99% of the increase in home prices in the United States economy before economists and policymakers falsely concluded housing bubbles existed, causing the housing crash, the Global Financial Crisis, the Great Recession, and today's housing affordability crisis. Walters (2020) (A) introduced Eddison Walters Modern Economic Analysis Theory, which presented data analysis evidence suggesting that the growth of consumer debt in the United States preceding the Global Financial Crisis resulted from technological advancement. Eddison Walters Modern Economic Analysis Theory established the idea that failure to consider the impact of technology on economic data over an extended period resulted in distortion errors in data analysis (Walters, 2020 (A); Walters 2020 (B)). Walters (2020) (C) expanded the study by conducting data analysis from fifteen developed countries around the world, concluding technological advancement was the most significant factor that caused the rapid increase in home prices. Today's

housing affordability crisis is just one example of decades of policy failure that did not recognize the globalization of the housing market from technological advancement.

Policymakers must understand the need for self-employment tax reform to avoid repeating the policy failures from failure to understand how technological advancement has changed the economy, such as the housing market policy failure highlighted by Walters (2024) (A) and Walters (2024) (B). Walters (2024) (A) highlighted how three decades of housing market policy failure and the false conclusion of real estate housing bubbles led to the shortage of home inventory today, causing many Americans to be priced out of the housing market, significantly increasing the risk of homelessness. Walters (2024) (B) chronicled how the failure to understand the globalization of housing markets caused local housing markets to no longer exist, leading to housing affordability today.

Policymakers must now consider policies to address the changing employment environment because of technological advancement. The United States has seen small businesses fail at an alarming rate. National Research Council (1999) noted that 73% of small business failures are associated with problems associated with access to capital. Despite being the largest economy in the world, Clifton, J. (2015) noted that the United States ranks 12th among developed countries for startup business activities. Technological advancements have provided many Americans an opportunity for employment in the gig economy. The effect of the gig economy has significantly increased the number of Americans working as independent contractors subject to self-employment taxes (Williamson, 2023). Policymakers on the Left are stuck in their tax and spend ideology and resist critical tax reform by the Right that can significantly benefit low-income individuals working in the gig economy and encourage entrepreneurship that can lift individuals into the middle class.

The Center for American Progress cited a Gallup survey reporting that 53% of self-employed individuals also reported having another job with an employer. The Center for American Progress also noted that a 2022 survey by MBO Partners found that there were 64.6 million independent contractor workers in the United States, most of whom engaged in self-employment either irregularly or part-time, often in combination with traditional employment. (Williamson, 2023).

Williamson (2023) noted that almost 82% of small businesses are women-owned, 90% do not have employees, and 96% of black-owned businesses have no employees. The article suggested that the demographics that characterize self-employed individuals as mostly non-Hispanic, male, white, and highly educated may not reflect the demographics of the self-employed in the United States. The underestimation in self-employment demographics in the United States may be a significant problem that has affected the consideration of benefits of tax reform for lower-income self-employed taxpayers in the United States, which stimulates entrepreneurship that can aid in lifting individuals into the middle class.

Williamson (2023) noted that self-employment among college graduates decreased following the pandemic, while self-employment has increased for Americans with no high school degree and high school graduates with some college but no degree. Self-employment among women in the United States has seen significant growth. Pre-pandemic self-employed independent contractors grew faster for women than men. Women accounted for an increasing portion of the number of self-employed individuals in the United States during the pandemic. Addressing the need for childcare was a significant factor that resulted in women of color disproportionately taking advantage of self-employment opportunities. Low-income families and women with young children are much more likely to be self-employed than many policymakers understand. Lower-income self-employed individuals and minorities are often misclassified in employment status, suggesting a significant underrepresentation (Williamson, 2023).

The benefits of entrepreneurship and self-employment are significant because the income penalty incurred by formerly incarcerated individuals is significantly mitigated by self-employment. Immigrants and individuals with criminal records are more likely to be self-employed. 22% of individuals with a criminal record history are more likely to report self-employment as their only source of income (Williamson, 2023). 28% of individuals in the United States with a criminal record history are self-employed. Another category of people involved with the criminal justice system who are more likely to be self-employed are women of color (Williamson, 2023). Williamson (2023) also noted that 42% of Black women with a criminal record history and 32% of Hispanic women with a criminal record history are more likely to report their employment status as self-employed.

Self-employment is also significant among older adults approaching retirement age and even beyond retirement age and individuals with disabilities. Literature noted that almost one in four individuals classified as self-employed are at least sixty years old. Self-employment rates jump drastically at age sixty-five (Williamson, 2023). About half of individuals between 65 and 69 years old report their employment as self-employed. Most individuals between 70 and 79 years old who are still working report themselves as self-employed. More than 50% of individuals with disabilities are unincorporated self-employed individuals due to obstacles to traditional employment from a disability (Williamson, 2023).

Even before the pandemic, the United States economy faced a decline in entrepreneurship for a decade and a half. Despite being the largest economy in the world, Clifton, J. (2015) noted that the United States ranks 12th among developed countries for startup business activities. The country saw small businesses fail at an alarming rate. Clifton (2015) cited the U.S. Census, which shows that since 2008, business failures have outpaced new startups in the United States.

As a result of the COVID-19 pandemic, the economic environment for small businesses in the United States has significantly worsened. With rising bankruptcies and closures, small businesses

critical to the health of the United States economy have faced even more significant challenges due to post-pandemic economic conditions (Ramírez, 2022). Literature noted that policymakers must take a comprehensive approach to stimulating entrepreneurship in a post-pandemic economic environment (Ramírez, 2022). The post-pandemic situation requires a comprehensive approach from policymakers, including developing diverse plans and policies.

The number of business startups that fail in the first twelve months has continued to grow in the post-pandemic economic environment. Data from the Bureau of Labor Statistics showed that of businesses established in March 2020, 18.4% failed within the first year (BLS.gov, 2024). The number of companies that failed in the first year grew in 2021 to 20.8%. Among established companies from March 2022, 23.2% failed within the first year (BLS.gov, 2024). The Bureau of Labor Statistics data showed that as of March 2023, only 34.7% of businesses established in March 2013 remained in operation (BLS.gov, 2024).

Self-employment tax is separate from income tax at a rate of 15.3%, which covers Social Security and Medicare (IRS.gov, 2024; Thomas, 2018). Social Security and Medicare taxes place an additional tax burden on individuals who generate income from self-employment (Thomas, 2018). The burden of self-employment taxes from net earnings differs from employee-paid employment tax on wages of W-2 workers because the tax burden is divided evenly between employees and employers. Employees are responsible for 7.65% of taxes for Social Security and Medicare on their wages, while employers are responsible for the other 7.65 % of taxes on wages to cover Social Security and Medicare (Thomas, 2018; IRS.gov, 2024)

The evidence suggested that the 15.3% self-employment tax is so significant that the tax stifles entrepreneurship well beyond diminishing marginal return, causing revenue losses from negative marginal returns. Negative marginal returns have significantly reduced revenue to the IRS because individuals who would otherwise engage in entrepreneurship are discouraged from entrepreneurship because of higher self-employment tax rates. Cohen (2011) examined the effect of raising tax rates in New Jersey. The study found that a tax rate increase would result in negative marginal returns because the state would lose tax revenue due to individuals migrating from New Jersey to avoid the higher tax rate (Cohen, 2011). Evidence in Can (2022) suggested that higher personal tax rates discourage unincorporated entrepreneurship. Evidence from the study indicated that higher levels of self-employment taxes compared to taxes on wages discouraged entrepreneurship entry (Bruce, 2000; Gentry & Hubbard, 2000; Gurley-Calvez & Bruce, 2013).

Analysis

Eddison Walters Self-Employment Tax Modernization Reform Entrepreneurship Revitalization Negative Marginal Returns Adjustment Theory theorized a higher rate for Social Security and Medicare on the self-employed of 15.3% is a significant burden that discourages many taxpayers with full-time wage employment from reporting additional income earned as independent

contractors. Research cited in the current study concluded that the 15.3% self-employment tax rate discourages entrepreneurship. Based on the evidence in the literature, the researcher in the current study concluded that 15.3% is well beyond the marginal rate of return for increasing self-employment tax rates. The conclusion is that self-employment tax rates that exist cause negative marginal returns. Eddison Walters Self-Employment Tax Modernization Reform Entrepreneurship Revitalization, Negative Marginal Returns Adjustment Theory, present that tax reform to lower self-employment tax rates while simplifying the tax code for many taxpayers will increase tax revenue to the IRS.

Research Questions Answer

The evidence supported the need for Eddison Walters Self-Employment Tax Modernization Reform Entrepreneurship Revitalization Negative Marginal Returns Adjustment Theory that provided insight into negative marginal tax revenue caused by the higher rate of self-employment taxes, decreasing the revenues generated by the IRS.

Hypothesis Result

The researcher failed to reject Ha.

Ha: The evidence suggested Eddison Walters Self-Employment Tax Modernization Reform Entrepreneurship Revitalization Negative Marginal Returns Adjustment Theory will benefit policymakers by highlighting negative marginal tax revenue caused by the higher rate of self-employment tax, which decreases income tax revenues generated by the IRS.

Self-Employment Tax Reform Proposal

Policymakers can reduce the growing tax burden on struggling lower-income Americans with full-time wage employment who also take advantage of part-time gig employment to make ends meet by providing a \$10,000 exemption from Social Security and Medicare self-employment taxes. The reform waving requirements to file a Schedule C for taxpayers with independent contractor income of \$10,000 or less would, but taxpayers would still be required to pay income tax on the \$10,000 exempted from Social Security and Medicare self-employment taxes. The exemption from Social Security and Medicare taxes would reduce business loss from Schedule C while simplifying tax returns, resulting in higher revenues to the IRS from individuals paying taxes on higher reported income. Low-wage workers such as college students working part-time and elderly workers who are past retirement age can significantly benefit from the commonsense approach. The significant benefits to students and retirement-age independent contractors in the gig economy far outweigh any negative consequences because of the potential increase in revenues to the IRS from higher income tax revenues.

Lower self-employment tax rates under the self-employment tax relief proposal will increase entrepreneurship activity needed for economic growth and job creation. The new self-employment tax reform plan would provide a 50% reduction from Social Security and Medicare self-

employment tax exemption for the first \$25,000 in income for taxpayers filing a Schedule C form. The exemption would not apply to income taxes; therefore, the IRS would realize higher income tax revenues. The benefit of reducing self-employment taxes by 50% under the reform would be significant. The reform would increase the number of new business startups due to lower self-employment tax levels. Increased entrepreneurship activity will create new jobs, boosting economic growth. The increased economic activity would also result in increased revenue for the IRS.

There are several reasons for adopting the proposal by Eddison Walters, Self-Employment Tax Modernization Reform Entrepreneurship Revitalization Negative Marginal Returns Adjustment Theory. Self-employment tax reform will increase tax revenues to the IRS by lowering the current rate of self-employment taxes.

1. Individuals who are not required to pay tax on up to \$10,000 of independent contractor income will report higher income. Eliminating Schedule C for taxpayers with retirement income, disability income, or full-time wage employment who earn up to \$10,000 from self-employment income will benefit from simplified tax return filing requirement, resulting in cost savings associated with professional assistance for more complicated returns. The elimination of Schedule C will result in a significant decrease in itemized deductions resulting in higher income reported to the IRS.
2. A reduction in self-employment tax rate will provide a significant incentive for small business owners to report higher income because the National Research Council (1999) noted that 73% of small business failures are associated with challenges from cashflow. The income reported for small business owners filing Schedule C who receive 50% exemption on self-employment rates for the \$25,000 will increase, because increased income will lower debt ratios, leading to better terms for business financing that can assist in solving the number one challenge of cashflow facing small businesses, which is a lack of cashflow.
3. Reducing self-employment tax burden for small businesses will solve the problem of declining businesses in the United States over the past two decades, by stimulate economic growth by encouraging entrepreneurship and reversing the trend of business failures outpacing new startups.

Tax reform to address self-employment taxes can benefit hardworking Americans while significantly increasing income tax revenues for the United States federal government. Williamson (2022) noted that over 27 million taxpayers file a Schedule C showing net income or loss from a business. The significant growth in self-employment has resulted from the development of the gig economy through digital platform technology (Bruckner & Hungerford, 2021; Lobel, 2017; Garin et. Al, 2022).

Fifty-nine percent of the growth in self-employment rates, and all counter-cyclical, can be attributed to changes in reporting behavior independent of changes in the nature of work. (Garin et. Al, 2022)

Self-employment tax reform proposed in the current study will benefit all self-employed taxpayers. Lower-income workers especially are the most likely to realize to most significant benefit from self-employment tax reform. Literature found a substantial portion of self-employment growth is among low-income individuals with children (Garin et al., 2022). Causa (2022) noted rising inflation have greater negative impact on low-income individuals. Low-income individuals likely to be self-employed as independent contractors in gig self-employment also include individuals with disabilities and elderly workers who are among the growing number of workers employed as independent contractors in gig employment (Harpur & Blanck, 2020). A 2019 study from National Bureau of Economic Research was cited by Palagashvili (2022) noting the following statistics for elderly individuals who classified themselves as self-employed; “30 percent for ages 60-64, 45 percent for 65-69, and almost 60 percent for those aged 70-74” (Palagashvili, 2022). Bruckner and Hungerford (2021) highlighted the problem that has been created. Bruckner and Hungerford (2021) noted an estimated 7.1 million independent contractors and 3.1 million on-demand workers earned income from self-employment in 2014 and \$7.35 billion in self-employment tax was not paid in 2014, translating to about \$5.95 billion in underpaid Social Security contributions (Bruckner & Hungerford, 2021).

Addressing self-employment tax reform is critical to revitalizing small business development for fostering economic growth today. It is critical to revitalize business startups because business startups account for 3 percent of employment in the United States economy per year (Haltiwanger et al., 2011). Ramírez (2022) noted the post-pandemic economic environment requires policymakers to adopt a range of policies to help revitalize small business development. The COVID-19 pandemic put such a mental strain on business ownership that many business owners may have decided the stress of business ownership was not worth being a business owner (Belitski et al., 2022). Fairlie (2020) noted that the COVID-19 pandemic devastated small businesses in the United States, with active business ownership falling at a record-level of 15.0 million to 11.7 million from February to April 2020. The record-level of decline in business activity over two months has never been seen for a 12-month window at any time in the history of the United States (Fairlie, 2020). The literature noted that black business ownership suffered the most significant decline from COVID-19. The estimates from April 2020 indicated that black business owners saw the most significant decline, falling 41 percent in the United States (Fairlie, 2020). Latin businesses declined by 32 percent during the same period. Asian business ownership also declined by 26 percent over the two-month window. Immigrant business ownership declined by 36 percent during the same period (Fairlie, 2020).

Conclusion

The structural changes in employment due to technological advancement require self-employment tax reform. The current study highlighted the importance of understanding how technological advancement has structurally changed the economy. Policymakers must end economic hardship resulting from policy failure due to the lack of understanding of the financial impact of technological advancement. Insight into structural changes from technological advancement could have avoided economic hardship caused by false real estate bubble misinformation, resulting in frozen capital markets that caused millions of Americans to lose their homes. The real estate crash that led to the Global Financial Crisis, the Great Recession, and the housing affordability crisis existing today are the latest examples of policy failures from a lack of understanding of how technological advancement can structurally change the economic environment.

The issues highlighted by Eddison Walters Self-Employment Tax Modernization Reform Entrepreneurship Revitalization Negative Marginal Returns Adjustment Theory provided insight into negative marginal tax revenue caused by the higher rate of self-employment taxes that decrease revenues generated for the United States federal government. The increasing burden from self-employment taxes while small businesses continue to decline require policy reform. Reforms to address the growing burden of self-employment taxes for hardworking Americans struggling to realize the American Dream while reversing the declining number of small businesses are critical for economic growth. The technological transformation of the economy calls for policymakers to consider new policy reforms as the economy continues to evolve. The potential of the self-employment tax reform proposal in the current study that introduced Eddison Walters Self-Employment Tax Modernization Reform Entrepreneurship Revitalization Negative Marginal Returns Adjustment Theory can significantly reduce the self-employment tax burden on hardworking Americans while revitalizing entrepreneurship to stimulate economic growth and increase revenue from income tax collected by the IRS.

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