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Congressional Reaction to State of the Union

Issue(s): Tax; Health Insurance

Date: January 29, 2008

In his final State of the Union (SOTU) address on January 28, President Bush laid out a tax agenda that, were Congress to act on it, could impact NAIFA members and their clients in a number of disparate ways.

Action Taken: The president urged Congress to act swiftly to enact the pending economic stimulus package and to make permanent the 2001 and 2003 tax cuts which include:

- Repeal of the estate tax
- Retaining the 15 percent tax rate on capital gains and dividends
- Lower marginal tax rates for higher-income taxpayers

President Bush asked members of Congress to offer their own proposals for Social Security and Medicare reform. He also vowed to veto any bill containing any tax increase. Notably missing, however, was his familiar call for systemic tax reform.

The President also asked Congress to enact a series of health reform proposals that include a deduction for individual purchases of health insurance, expanded health savings accounts (HSAs), creation of association health plans (AHPs), and a program for expanding and sharing health information technology (IT).

Insider News: Few (if any) of the president's State of the Union proposals are likely to win Congressional approval this year. The exception is the currently pending economic stimulus package which is expected to become law within weeks (perhaps by President's Day). The stimulus package as negotiated by Treasury Secretary Henry Paulson, Speaker of the House Rep. Nancy Pelosi (D-CA), and House Republican Leader Rep John Boehner (R-OH) includes income tax rebates that would be sent to many NAIFA member prospects and clients, giving them money to spend. This could indirectly affect NAIFA member interests.

Next Steps: Congress will be examining tax reform issues throughout the year. Both the House Ways & Means and the Senate Finance Committees have already announced that they will be holding a series of hearings on tax reform in 2008. NAIFA will keep a close eye on these proceedings and will keep you informed of any harmful tax proposals that would warrant a call to grassroots action by NAIFA members.

As for health insurance, NAIFA's health and employee benefits advocate AHIA will continue to monitor and report on Congressional developments on the President's health proposals. Details of the President's health insurance deduction proposal are expected to be submitted to Congress next week as part of the fiscal year 2009 budget proposal.

Further Details: More detailed information, as well as NAIFA and AHIA's positions on the various proposals, will be available in the next edition of GovTalk. Look for GovTalk in your email inbox on February 1.

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