

Jobs/Economy



EXAMPLE



UNITED STATES
DEPARTMENT OF
THE TREASURY



Tax Relief Provides Benefits to Alabama Taxpayers

WASHINGTON, DC – New estimates released by the Treasury Department show that hundreds of thousands of Alabama taxpayers will enjoy a lighter burden this tax day thanks to the Economic Growth and Tax Relief Reconciliation Act Of 2001 (EGTRRA) and The Jobs and Growth Tax Relief Reconciliation Act Of 2003 (JGTRRA).

REDUCING TAXES

- **1,502,000** taxpayers in Alabama will have lower income tax bills under EGTRRA and JGTRRA.

NEW 10-PERCENT BRACKET

- **1,287,000** taxpayers in Alabama will benefit from the new 10-percent bracket enacted in EGTRRA and the JGTRRA acceleration to 2003 of the expansions of the bracket scheduled for 2008.

REDUCTION IN INCOME TAX RATES

- **279,000** taxpayers in Alabama will benefit from the EGTRRA reduction in income tax rates above 15-percent and the JGTRRA acceleration to 2003 of the reductions scheduled for 2004 and 2006.

REDUCTION OF MARRIAGE PENALTY

- **454,000** married couples in Alabama will benefit from the JGTRRA acceleration to 2003 of the EGTRRA provisions that increase the standard deduction for joint filers to double the amount for single filers and increase the width of the 15-percent bracket to twice the width for single filers. These two provisions were scheduled to phase in between 2005 and 2009.

INCREASE IN CHILD TAX CREDIT

- **443,000** married couples and single parents in Alabama benefit from the increase in the child tax credit under EGTRRA and the JGTRRA acceleration to 2003 of the increase from \$600 to \$1,000 that was scheduled to phase in between 2005 and 2010.

REDUCED TAX RATES ON CAPITAL GAINS AND CORPORATE DIVIDENDS

- **280,000** taxpayers in Alabama will benefit from the reduced tax rates on capital gains and corporate dividends under JGTRRA.

SOURCE: *Counts are for the number of returns filed in 2004 that would have benefited from the package. These estimates are based on tabulations from individual income tax returns processed by the Internal Revenue Service in 2004. Most of these returns covered tax year 2003.*

SECURING AMERICA'S COMPETITIVENESS AND CREATING JOBS THROUGH A GROWING ECONOMY

Republicans are securing America's competitiveness and creating jobs through a growing economy. Even with the devastation of the Gulf Coast hurricanes and high energy prices, the nation still is enjoying sustained job creation and economic expansion. Republicans will not rest until every American has economic security and the opportunity for a good-paying job.

Republican pro-growth tax policies are fueling job creation and economic growth. The economy has grown steadily for the last two-and-a-half years, and more Americans are working than ever before.

- Since August 2003, the economy has created nearly 5 million new jobs. Employers added more than 2 million jobs in the last year. The U.S. economy has experienced 30 consecutive months of job growth.
- The current unemployment rate is a low 4.8%, lower than the averages of the last three decades.
- In just two-and-a-half years, real Gross Domestic Product has grown by an amazing 9.9%. The economy has grown by more than 3.5% in each of the past two years, faster than Japan or any major industrialized nation in Europe. It likely will grow by at least as much this year.
- In the 11 quarters since the 2003 tax relief lowered tax rates on dividends and capital gains, business investment has grown at a strong average annualized rate of 8.6 percent.
- Stronger private investment has helped boost household wealth by 16.3% since 2003 – household wealth reached \$52.1 trillion in the Fourth Quarter of 2005, an all-time high.
- Tax revenues are surging – federal revenues for Fiscal Year 2005 totaled \$2.15 trillion – the highest level ever.
- Consumer confidence reached a near four-year high in March.
- Construction spending and home building rose to record levels in February.
- Homeownership has reached all-time highs. More than two-thirds of Americans own their homes today – more than any time in history.

Republicans are working to enact the Tax Reconciliation bill to prevent a massive tax increase that would harm the economy.

- It is important to keep in place tax policies that have fueled two-and-a-half years of job creation and economic growth.
- The Tax Reconciliation bill will extend tax relief and prevent a huge tax increase that would hurt the economy.
- Preventing automatic tax increases will ensure that Americans continue to have more of their own money to spend, save and invest.

Republicans are working to restrain government spending and reduce the deficit by passing a fiscally responsible 2007 budget resolution.

- The Senate-passed 2007 budget resolution cuts the deficit in half by 2008 and holds down non-defense discretionary spending.
- Republicans last year passed the Deficit Reduction Act to curb wasteful spending as a positive step toward restoring fiscal discipline in Congress. The Deficit Reduction Act will slow the rate of growth of mandatory spending and save American taxpayers \$39 billion over the next five years and \$100 billion over the next decade.
- Constraining the growth of entitlement spending and exercising fiscal restraint will keep America's economy strong.



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U.S. Economic Strength Indicators

Americans Have More Money in Their Pockets...

- Real median income comparisons of last two business cycles show **better performance now than in the early 1990's**.
- Real median family income was **up 1.6 percent for 2004 versus 2001** -- according to Federal Reserve Survey of Consumer Finance.
- Real per-capita disposable income is **8.2 percent above the previous business cycle peak** (March 2001).
- **Household wealth reached \$52.1 trillion** in the fourth quarter of 2005, an all-time high.

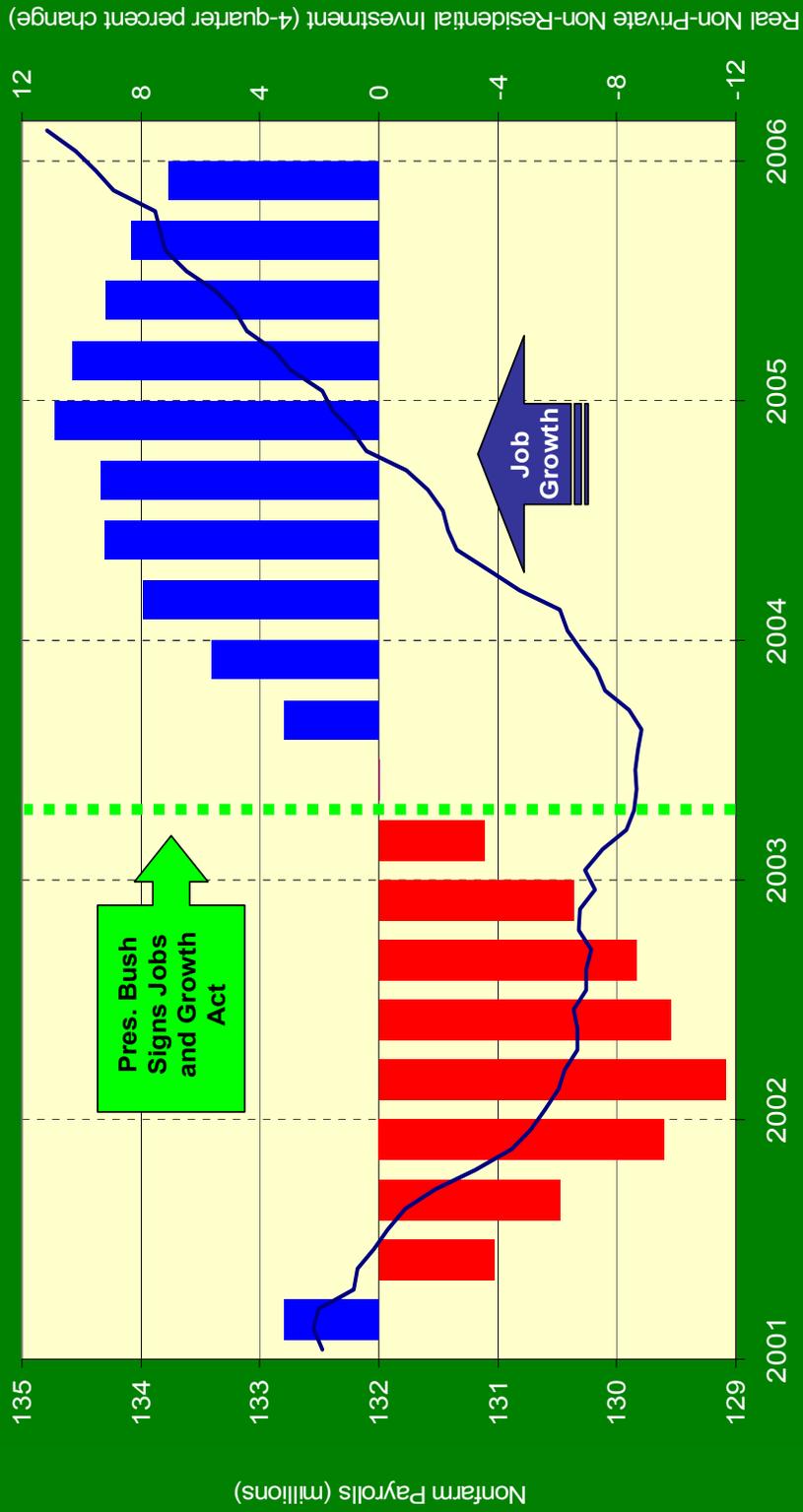
Steady Job Growth Continues...

- More Americans are working than ever before.
- Almost **5 million** new jobs since the Jobs & Growth Act was signed in May of 2003.
- **243,000** new jobs were created in February – about **2.1 million** jobs over the past 12 months.
- **4.8 percent** February unemployment rate.
- **30 consecutive months** of uninterrupted job growth.

Tax Revenues are Surging....

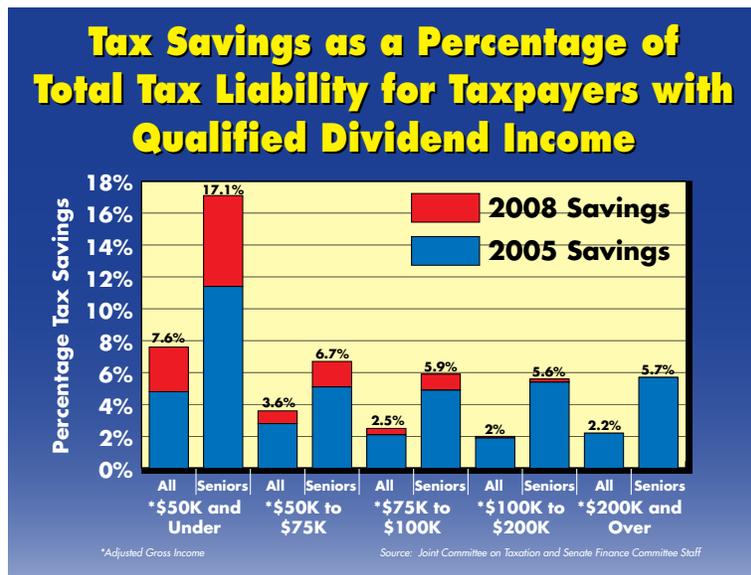
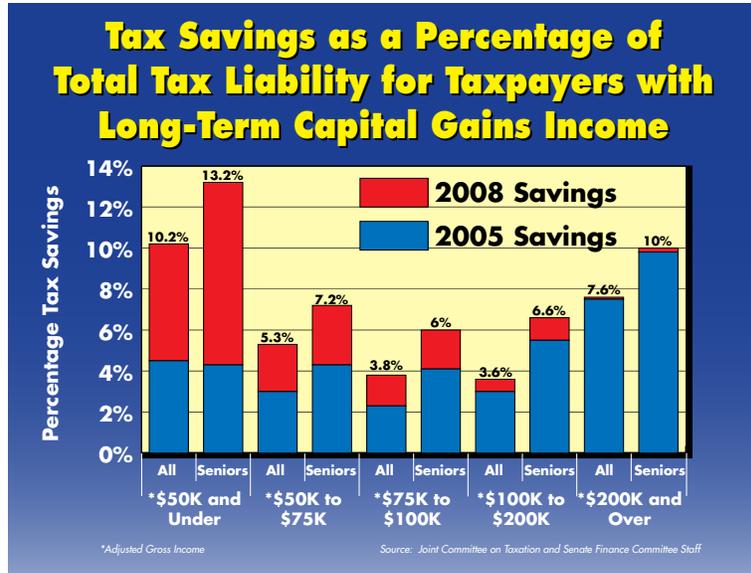
- Federal revenues for Fiscal Year 2005 totaled **\$2.15 trillion** -- *the highest level ever*.
- The Treasury took in more than **\$61.4 billion** in revenue December 15, the due date for corporate estimated tax payments for the fourth quarter of this year. This represents a fourth quarter record and a 33 percent increase over last year's payments.

Business Investment Spurring Job Growth



Source: Treasury Department

Many of those on the other side oppose extending the lower rates on dividends and capital gains on the grounds that it only benefits wealthy taxpayers. But the data provided by the Joint Committee on Taxation and analyzed by Finance Committee staff shows that lower income taxpayers have proportionately more at risk if these rates expire at the end of 2008 than higher income taxpayers. The following charts are based on 2005 estimates of tax savings and total tax liability of those who benefit from the lower rates on dividends and capital gains. The effect of the elimination of taxes on dividends and capital gains in 2008 for taxpayers in the lowest two tax brackets is also shown, assuming the same facts are present in 2008.



According to this data, taxpayers with under \$50,000 of adjusted gross income will receive a 7.6% reduction in their total tax bill as a result of the lower rates on dividends. The tax savings for lower income seniors from lower dividend rates is over 17%. Those with AGI of \$200,000 or more, however, will receive only a 5.7% reduction. The data is similar with respect to capital gains. Those with AGI of \$50,000 and under will receive a 10.2% reduction in their total tax bill as a result of the lower rates on capital gains, and lower income seniors will save 13.2%.

As this data shows, the tax policy enacted by Congress in 2003 to lower taxes on dividends and capital gains has provided meaningful benefits to taxpayers across the income spectrum—not just the rich. In fact, lower income taxpayers will save more than higher income taxpayers when measured as a percentage of total tax liability. The stakes are even higher for seniors.

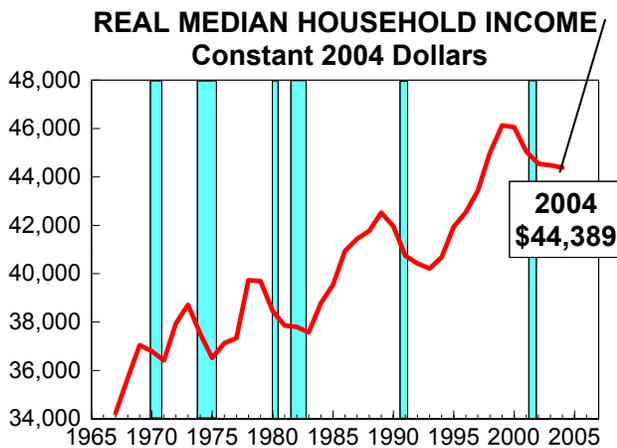
These lower rates have allowed millions of taxpayers to keep more money in their pockets to spend or add to their savings through reinvestment in the economy, rather than give it to the federal government to spend.

Source: Senate Finance Committee

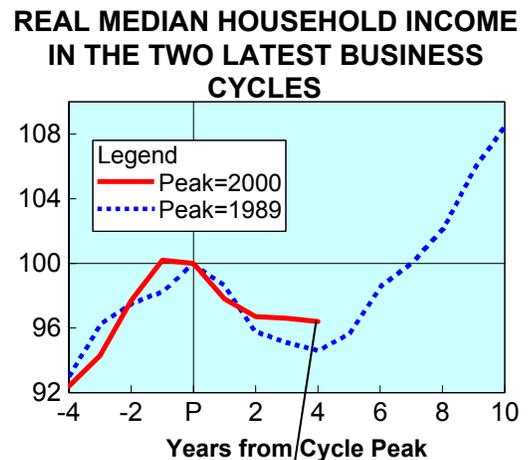


U.S. Economic Strength: Household Income & Wealth

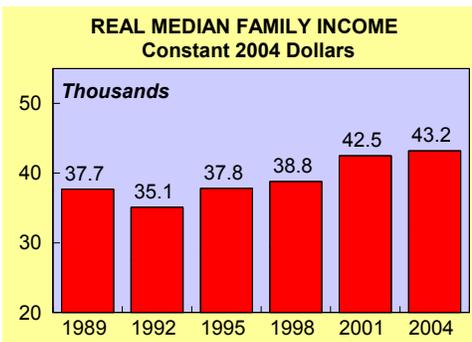
Real Median Money Income of Households -- Census Bureau Annual Data



Annual growth of income of only 1.5% would lead to more than \$47k by 2008

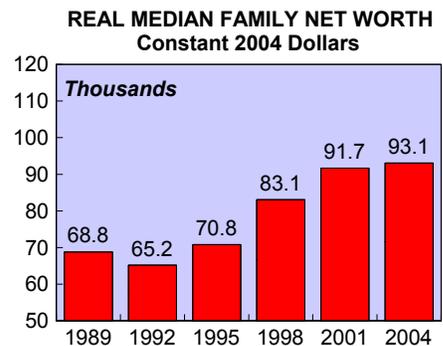


Current business cycle performing better than its predecessor.

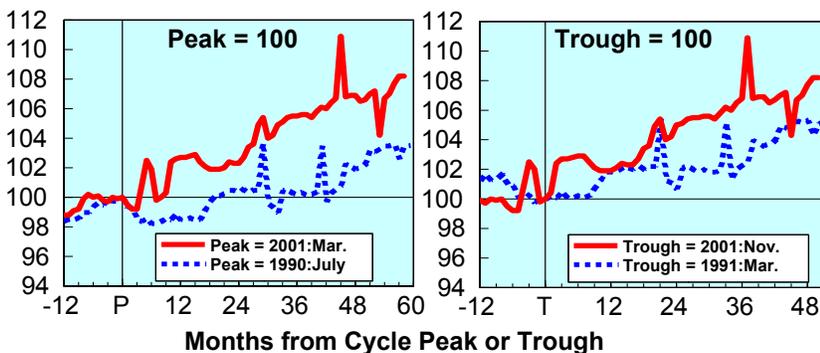


The Federal Reserve collects before-tax income data as part of the Survey of Consumer Finances (SCF) -- done every three years.

SCF covers not only cash income but detailed information on noncash income -- food stamps and other government support -- as well as realized capital gains.



REAL PER CAPITA DISPOSABLE INCOME



Real per-capita disposable income is 8.2 percent above the previous business cycle peak (March 2001). This income measure grew less than 4 percent at a similar stage in the business cycle that peaked in July 1990.

* Source: BEA, Monthly through Jan. 06



MILLIONS OF AMERICAN FAMILIES ARE BENEFITING FROM TAX RELIEF

As a result of the President's Economic Growth and Tax Relief Reconciliation Act of 2001, the Jobs and Growth Tax Relief Reconciliation Act of 2003, and the Working Families Tax Relief Act of 2004 every taxpayer who paid income taxes will get tax relief this year.

- 111 million taxpayers will see their taxes decline by an average of \$1,877.
- A family of four earning \$40,000 will receive tax relief of \$2,010.
- Over 5 million individuals and families will see their income tax liabilities completely eliminated.
- 44 million families with children will receive an average tax cut of \$2,493.
- 14 million elderly individuals will receive an average of \$2,043.
- 25 million small business owners will save an average of \$3,641.
- Low-income families will also benefit from provisions that make the child credit refundable for more families and reduce marriage penalties.

President Bush has called on Congress to act now to prevent tax increases. If Congress does not act, failure to extend these tax cuts permanently would raise taxes on American taxpayers in future years.

- In 2008, the small business expensing limit will shrink from \$100,000 to just \$25,000, increasing the cost of capital investments for America's small businesses;
- In 2009, the top tax rate on dividends will increase from 15 to 35 percent, while the tax on capital gains will climb from 15 to 20 percent, raising the tax burden on retirees and families investing for their future; and
- In 2011, the tax rate relief, the new 10-percent tax bracket, death tax repeal, marriage penalty relief, and all the remaining tax relief enacted over the past few years will sunset, resulting in tax increases for every individual American man or woman who pays income taxes.

The economy is stronger today because of the timely tax relief measures enacted during President Bush's administration. The success of the President's economic program, including tax relief, can be seen throughout the economy.

- Economic growth has averaged more than 3.7 percent since the end of 2002.
- The economy has generated 2 million net new jobs in the year ending December 2005, and almost 5 million since May 2003, when the last tax relief package was enacted.
- At 4.8 percent, the unemployment rate remains below its average of the 1970s, 1980s, and 1990s.
- Real, after-tax incomes are 14 percent higher since December 2000.
- Led by strong home values and a steadily rising stock market, household wealth is at an all-time high.
- Homeownership remains very close to its all-time high of more than 69 percent reached in early 2005.



TAX RELIEF ENCOURAGES INVESTMENT

The President's tax cuts have reduced the marginal effective tax rate (METR) on new investment, which is measured as the share of an investment's economic income needed to cover taxes over its lifetime. Lower METRs encourage additional investment, capital accumulation, and, in the long-term, higher living standards.

As shown in the table below, reductions in personal income tax rates (including the tax rates on dividends and capital gains) enacted in 2001 and 2003 have reduced the METR in the corporate sector by 15.5 percent and in the overall economy by 17.4 percent.

The temporary bonus depreciation provision enacted in 2001 and expanded in 2003 to 50% provided a potent short-term investment stimulus. Before expiring at the end of 2004, this provision lowered by one-half or more the METR on qualifying investment.

Effect of President's tax cuts on the marginal effective tax rate on new investment

	Business Sector			Owner-Occupied Housing	Economy-wide
	Corporate	Noncorporate	Total		
Without tax relief	33.0	20.6	28.0	-2.7	17.2
With tax relief*	27.9	17.5	23.6	-2.0	14.2
% Change	-15.5	-15.0	-15.7	25.9	-17.4

Source: U.S. Department of the Treasury, Office of Tax Analysis.

* Includes the effects of the lower regular tax rates and lower tax rates on dividends and capital gains income, but not the temporary 50 bonus depreciation provision.

Leveling the Playing Field

Taxing income from alternative investments at a more uniform METR – “leveling the playing field” – promotes efficient allocation of resources within the economy by allowing market fundamentals, rather than taxes, to guide financing and investment decisions.

By lowering the tax rate on dividends and capital gains, the 2003 Tax Act *increased* tax uniformity by substantially reducing the METR on income from corporate equity financed investment, relative to other sources of capital income, such as debt and noncorporate income.

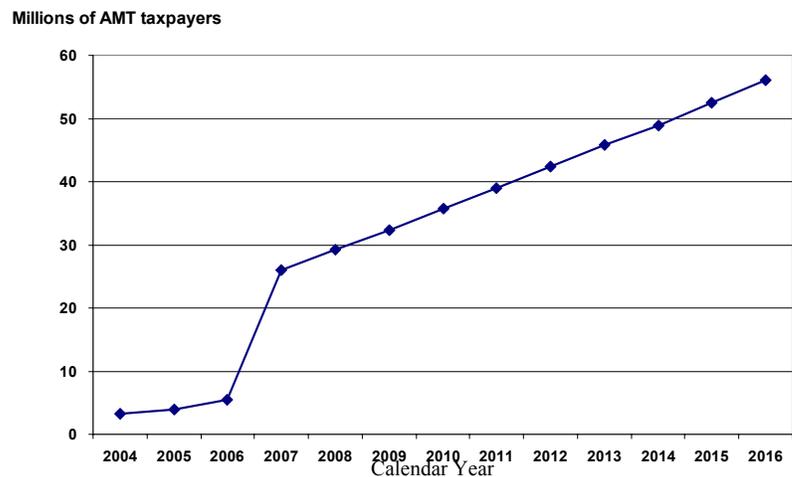


THE TOLL OF TWO TAXES: THE REGULAR INCOME TAX AND THE AMT

The alternative minimum tax (AMT) is a second income tax system that runs parallel to the regular individual income tax. First enacted in the late 1960's, the AMT was intended to target a small group of high-income individuals – who had managed to avoid all taxes – to ensure they paid a minimum amount of tax. Changes since the AMT's original enactment mean that today it reaches into the ranks of the middle class, potentially denying them the benefit of many of the deductions, credits, and lower tax rates available under the regular income tax system. The AMT also significantly increases the complexity of tax filing for taxpayers subject to the AMT and for millions of additional taxpayers who must complete AMT forms to determine they are not subject to the AMT.

Left unchanged, the AMT will affect increasing numbers of taxpayers. As can be seen in the graph to the right, assuming the 2001 and 2003 tax cuts are made permanent and the temporary AMT provisions are extended through 2006, the number of taxpayers with increased taxes due to the AMT will increase from 5.5 million in 2006 to 25.9 million in 2007 and to 56.1 million in 2016.

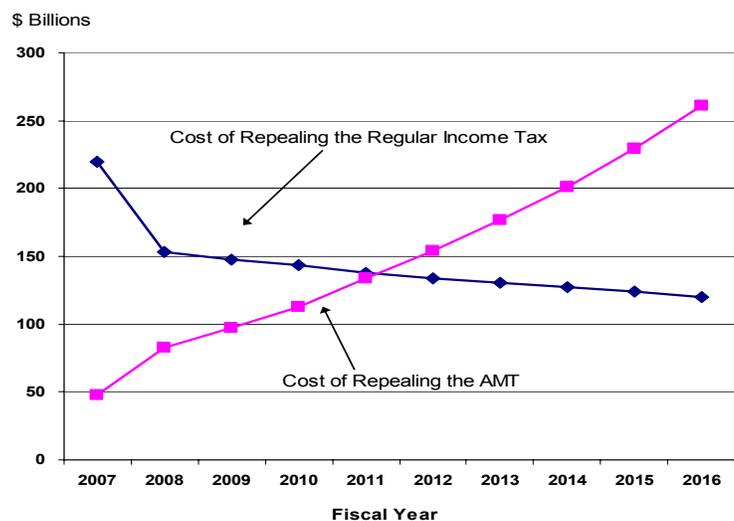
Number of Individual AMT Taxpayers
(Assumes the '01 and '03 tax relief is permanently extended and the temporary AMT provisions are extended through 2006)



The cost of addressing the AMT will also grow rapidly. Assuming the 2001 and 2003 tax cuts are made permanent and the temporary AMT provisions are extended through 2006, in 2007 the AMT will increase the amount of tax individuals pay by \$48B, rising to \$261B in 2016.

The graph shows that by 2012 less revenue would be lost from repealing the regular income tax than from repealing the AMT.

Cost of Repealing Regular Income Tax vs. Cost of Repealing the AMT
(Assumes the '01 and '03 tax relief is permanently extended and the temporary AMT provisions are extended through 2006)





WHO PAYS MOST INDIVIDUAL INCOME TAXES?

The individual income tax is highly progressive - a small group of higher-income taxpayers pay most of the individual income taxes each year.

- In 2003, the latest year of available data, the top 5 percent of taxpayers paid more than one-half (54.4 percent) of all individual income taxes, but reported roughly one-third (31.2 percent) of income.
- The top 1 percent of taxpayers paid 34.3 percent of all individual incomes taxes in 2003. This group of taxpayers has paid more than 30 percent of individual income taxes since 1995. Moreover, since 1990 this group's tax share has grown *faster* than their income share.
- Taxpayers who rank in the top 50 percent of taxpayers by income pay virtually all individual income taxes. In all years since 1990, taxpayers in this group have paid over 90 percent of all individual income taxes. In 2000, 2001, 2002, and 2003, this group paid over 96 percent of the total.

Share of Individual Income Taxes and Income, 1990-2003						
Share of Individual Income Taxes [Share of Adjusted Gross Income]						
	Top 1%	Top 5%	Top 10%	Top 25%	Top 50%	Bottom 50%
2003	34.3 [16.8]	54.4 [31.2]	65.8 [42.4]	83.9 [64.9]	96.5 [86.0]	3.5 [14.0]
2000	37.4 [20.8]	56.5 [35.3]	67.3 [46.0]	84.0 [67.2]	96.1 [87.0]	3.9 [13.0]
1995	30.3 [14.6]	48.9 [28.8]	60.8 [40.2]	80.4 [63.4]	95.4 [85.5]	4.6 [14.5]
1990	25.1 [14.0]	43.6 [27.6]	55.4 [38.8]	77.0 [62.1]	94.2 [85.0]	5.8 [15.0]

Source: Internal Revenue Service. Percentiles based on adjusted gross income.

The President's tax cuts have shifted a larger share of the individual income taxes paid to higher income taxpayers. In 2006, with nearly all of the tax cut provisions fully in effect (e.g., lower tax rates, the \$1,000 child credit, marriage penalty relief), the projected tax share for lower-income taxpayers will *fall*, while the tax share for higher-income taxpayers will *rise*.

- The share of taxes paid by the bottom 50 percent of taxpayers will fall from 4.0 to 3.4 percent.
- The share of taxes paid by the top 1 percent of taxpayers will rise from 32.3 percent to 32.4 percent.
- The average tax rate for the bottom 50 percent of taxpayers falls by 27 percent as compared to a 14 percent decline for taxpayers in the top 1 percent.

Projected Share of Individual Income Taxes and Income in 2006						
Share of Individual Income Taxes ¹ [Share of Adjusted Gross Income]						
	Top 1%	Top 5%	Top 10%	Top 25%	Top 50%	Bottom 50%
With Tax Cuts	32.4 [17.2]	53.3 [31.6]	65.7 [42.9]	84.1 [65.4]	96.6 [86.6]	3.4 [13.4]
Without Tax Cuts	32.3 [17.2]	51.6 [31.6]	63.6 [42.9]	82.6 [65.4]	96.0 [86.6]	4.0 [13.4]

Source: U.S. Department of Treasury, Office of Tax Analysis.
¹Estimates of tax paid ignore any behavioral responses to the tax cuts.
 NOTE: Percentile groups begin at income of: Top 50% \$33,705; Top 25% \$66,961; Top 10% \$111,528; Top 5% \$151,708; Top 1% \$341,773.



FISCAL YEAR 2007 BUDGET INITIATIVE: DIVISION ON DYNAMIC ANALYSIS OFFICE OF TAX POLICY

- As part of the rollout of the FY07 Budget, the Treasury Department is announcing its further development of its capability for dynamic analysis of tax policy changes.
- Dynamic analysis, which incorporates the full gamut of behavioral responses, including how tax policy changes affect total output, has the advantage of emphasizing the economic benefits of many of the President's tax policy initiatives.
- Dynamic analysis will also help frame the public dialogue on tax reform by highlighting its economic benefits. This type of analysis is already being done by the Joint Committee on Taxation and the Congressional Budget Office.
- The President's FY07 Budget includes a budget item to establish a dynamic analysis division within the Office of Tax Analysis (OTA) at the Treasury Department. Treasury would hire a director and several staff for the division. Treasury anticipates that it will conduct a dynamic analysis of the tax proposals included in the President's Budget for the Mid-Session Review (in July).
- What is Dynamic Analysis? In analyzing the revenue effect of potential tax policy changes, Treasury routinely considers how taxpayers might respond to the changes, but does not consider how the overall economy might be affected in its official scoring of tax proposals. In analyzing a reduction in marginal tax rates, for example, Treasury considers that workers would take more of their income in the form of taxable wages and salaries, but not how the tax reduction might increase workers' total compensation or the overall size of the economy.

Ignoring such macroeconomic impacts is not a problem when potential tax changes are relatively small. Large-scale tax reform, however, could have significant macro-economic effects, so it is important to supplement the traditional approach with fully dynamic analyses that consider how tax changes affect the overall level of resources employed in the economy and the efficiency with which those resources are employed.

- How does Dynamic Analysis differ from Dynamic Scoring? Dynamic analysis evaluates proposals to see how they would alter the overall level of economic activity. Dynamic scoring, by contrast, would take this a step further by estimating how the higher level of economic activity could translate into higher tax receipts.

Under the current proposal, Treasury would commit to conducting dynamic analysis of major tax policy changes, but not to dynamic scoring. It is envisioned that dynamic analysis eventually might evolve into dynamic scoring as the models become more sophisticated and the approach becomes more widely accepted. Treasury plans to continue to rely on their traditional approach for "official" estimates of the revenue effect of the tax proposals, and to present dynamic analyses as supplemental information.



**State-by-State Estimates of the Cumulative Effect of the President's Tax Cuts, 2001 through 2005
(EGTRRA (2001), JCWAA (2002), JGTRRA (2003), WFTRA (2004) and AJCA (2004))**

(Billions of Dollars)

		United States	-882.7		
Alabama	-10.5	Massachusetts	-25.0	South Dakota	-2.0
Alaska	-2.1	Michigan	-29.2	Tennessee	-14.7
Arizona	-14.8	Minnesota	-16.6	Texas	-56.7
Arkansas	-5.9	Mississippi	-5.4	Utah	-5.9
California	-114.0	Missouri	-15.7	Vermont	-1.9
Colorado	-14.7	Montana	-2.4	Virginia	-24.6
Connecticut	-16.1	Nebraska	-4.9	Washington	-20.0
Delaware	-2.7	Nevada	-7.6	West Virginia	-3.8
Florida	-54.7	New Hampshire	-4.6	Wisconsin	-17.1
Georgia	-22.9	New Jersey	-34.6	Wyoming	-1.7
Hawaii	-3.7	New Mexico	-4.1	DC	-2.2
Idaho	-3.4	New York	-68.2	Other Areas	-6.9
Illinois	-41.4	North Carolina	-22.2		
Indiana	-16.8	North Dakota	-1.7		
Iowa	-8.1	Ohio	-32.0		
Kansas	-7.6	Oklahoma	-8.0		
Kentucky	-9.6	Oregon	-9.8		
Louisiana	-9.6	Pennsylvania	-38.0		
Maine	-3.6	Rhode Island	-3.3		
Maryland	-19.5	South Carolina	-9.9		

2-13-06

Notes

The figures in the table are based on tabulations of all individual income tax returns filed and processed through the IRS Individual Master File (IMF) during calendar years 2002 through 2005.

Classification by state was based on the address used on the return. Usually this address is the taxpayer's home address. However, some taxpayers may have used the address of a tax attorney or accountant, or a place of business, and that address could be in a different state than the taxpayer's home.



**COMBINED EFFECT OF THE ECONOMIC GROWTH & TAX RELIEF
ACT OF 2001 AND THE JOBS & GROWTH RELIEF ACT OF 2003**



	Entire EGTRRA and JGTRRA Acts ¹	Specific Provisions of the Acts					Addendum: Returns with Business Income ³ Benefiting from Acts
		New 10% Bracket	Reduction in Top Rates	Reduction of Marriage Penalty	Increase in Child Tax Credit	Reduction in Rates on Capital Gains and Dividends ²	
United States	107,387	94,707	26,389	31,972	27,166	23,068	24,956
Alabama	1,503	1,288	280	454	443	281	324
Alaska	271	246	73	80	62	60	71
Arizona	1,961	1,727	453	594	514	407	420
Arkansas	883	759	140	281	254	161	211
California	12,658	11,079	3,554	3,630	3,050	2,893	3,265
Colorado	1,747	1,564	478	551	421	400	497
Connecticut	1,394	1,239	465	425	318	358	336
Delaware	331	297	90	97	83	73	63
Florida	6,553	5,717	1,442	1,815	1,636	1,337	1,541
Georgia	3,042	2,638	709	875	848	621	732
Hawaii	497	448	120	145	117	105	126
Idaho	474	418	81	168	130	93	138
Illinois	4,681	4,143	1,270	1,391	1,189	1,047	1,041
Indiana	2,295	2,057	494	740	612	471	484
Iowa	1,084	979	212	368	283	221	293
Kansas	986	879	207	332	260	206	253
Kentucky	1,387	1,221	257	453	371	272	310
Louisiana	1,441	1,229	261	396	424	259	322
Maine	500	449	95	158	124	100	135
Maryland	2,236	2,000	731	635	542	537	496
Massachusetts	2,564	2,299	821	751	553	633	632
Michigan	3,662	3,271	930	1,163	936	796	754
Minnesota	1,993	1,805	530	648	482	456	500
Montana	336	297	54	107	84	64	108
Mississippi	893	754	136	244	278	148	181
Missouri	2,066	1,834	429	651	541	418	460
North Carolina	3,034	2,645	623	927	846	601	711
North Dakota	242	219	41	79	60	48	76
Nebraska	650	584	127	214	168	132	173
Nevada	925	829	225	257	231	194	185
New Hampshire	536	486	147	174	127	125	130
New Jersey	3,416	3,004	1,138	1,015	811	858	749
New Mexico	642	559	124	183	171	121	145
New York	6,949	6,101	1,975	1,804	1,668	1,558	1,605
Ohio	4,427	3,991	1,047	1,214	1,032	902	883
Oklahoma	1,155	1,005	199	378	319	220	303
Oregon	1,299	1,157	292	414	325	274	336
Pennsylvania	4,676	4,185	1,106	1,443	1,160	1,002	943
Rhode Island	413	372	110	119	96	91	95
South Carolina	1,464	1,275	278	424	413	275	313
South Dakota	284	255	46	92	73	55	89
Tennessee	2,075	1,814	393	636	575	402	471
Texas	7,480	6,438	1,651	2,258	2,049	1,517	1,787
Utah	805	716	152	289	223	165	212
Vermont	247	224	53	76	58	52	72
Virginia	2,924	2,595	849	908	705	690	625
Washington	2,385	2,138	637	762	587	539	551
Wisconsin	2,144	1,946	496	697	536	459	465
West Virginia	582	510	94	199	156	110	111
Wyoming	195	176	42	65	50	41	56
DC	237	210	84	31	44	56	49
Other Areas	763	637	149	157	127	165	130

State-by-State
Distribution
(based on the number
of returns filed in 2005
that would have
benefited from the acts
– in thousands)

Source: U.S.
Department of
Treasury, Office of
Tax Policy

Health Care



Delivering on America's Priorities – Medicare Rx Drug Benefit *



Congress made a promise to America's seniors to deliver better Medicare and a prescription drug benefit.

- The promise has been met – and a bipartisan bill passed Congress and is now law.
- Traditional Medicare is strengthened and improved to keep up with advancements in health care, including disease management and preventive care.
- For the first time ever, America's seniors enrolled in the Medicare program have access to a prescription drug benefit.

Medicare's prescription drug benefit will offer voluntary drug coverage to 42 million seniors and people with disabilities.

- Beginning on January 1, 2006, this coverage was made available to all people in Medicare.
- It pays for both brand name and generic drugs, and offers a choice of plans.
- Seniors who need the most help to pay for prescription drugs receive the most help under the new Medicare law.

Everyone in Medicare should give serious consideration to enrolling for prescription drug coverage.

- Medicare will offer options of enrolling online (www.medicare.gov <<http://www.medicare.gov/>>) and by phone (1-800-MEDICARE).
- Thousands of enrollment events will take place across the country in the next several weeks. Some of these events will be sponsored by the Social Security Administration and by Medicare, or by organizations that represent seniors and patients.
- Everyone who has a family member or a friend in Medicare has a vital role to play in helping educate these beneficiaries about the Medicare drug benefit.

* See MEDICARE CD for additional information.

Things to Remember about the New Medicare Prescription Drug Benefit Program:

- Everyone in Medicare will find value in the Medicare prescription drug benefit and should give serious consideration to enrollment.
- The Medicare prescription drug benefit will provide reliable, affordable and guaranteed coverage to medication.
- Everyone has a vital role in educating people in Medicare about the new benefit.

Important Dates:

- May 15, 2006 – Last day to sign up in 2006. Remember to join by this date or you will have to wait until November 15, 2006 to join and you may pay higher premiums.

Additional Information:

- For more information about getting help with your prescription drug costs, call Social Security at 1-800-772-1213 (TTY 1-800-325-0778) or visit www.socialsecurity.gov <<http://www.socialsecurity.gov/>> .
- To learn more about the Medicare prescription drug plan, call 1-800-MEDICARE (1-800-633-4227) or visit www.medicare.gov <<http://www.medicare.gov/>> .

Outside Resources:

- CMS: James Scott, Senior Legislative Advisor, Office of Legislation, (202) 690-8258
- Medicare Rx Education Network: Eugenia Edwards, Senior Public Policy Specialist, (202) 457-5622
- Medicare Access for Patients Rx: Mary Worstell, Convener, (202) 349-1152
- Access to Benefits Coalition: Howard Bedlin, Vice President, Public Policy and Advocacy, The National Council on the Aging (NCOA), (202) 479-6685
- Debbie Witchey, HealthCare Leadership Council, (202) 452-8300, ext. 3435

Major Health Care Accomplishments of the U.S. Senate During the 109th Congress, First Session

Helping to Ensure Quality HealthCare for All Americans

Pandemic Flu Preparedness (Provision in the Department of Defense Appropriations, FY 2006) – P.L. 109-148

This provision provides \$3.8 billion for pandemic flu preparedness. It will help the United States prepare for a potential outbreak of pandemic flu by authorizing funding for stockpiling antivirals and medical supplies, promoting vaccine development and research, monitoring global avian influenza, providing grants for local public health centers, and providing additional funds for risk communication and outreach.

Stem Cell Therapeutic and Research Act of 2005 – P.L. 109-129

This law provides for the collection of human umbilical cord blood to be used for treatment, transplant, and research, and creates the C.W. Bill Young Cell Transplantation Program, an umbrella program containing activities related to the National Bone Marrow Donor Registry and the new Cord Blood program. An advisory council will be created to coordinate with the Secretary of Health and Human Services to oversee this program and ensure that donated cord blood not appropriate for transplant use will be made available for use in peer-reviewed research. The collection of umbilical-cord-blood stem cells after child birth causes no harm to mother or child, and research has shown that cord-blood stem cells can be effectively used to treat several diseases, including leukemia, Fanconi anemia, and sickle cell disease.

Medicare Cost Sharing, TMA, and Abstinence Programs Extension – P.L. 109-91

This law extends the qualified individual Medicare program through September 2007. This program provides medical assistance for Medicare cost-sharing for individuals who would be qualified Medicaid beneficiaries but for the fact that their income exceeds the state-established income level, and is between 120% and 135% of the official poverty line. The law also provided a three-month extension of Transitional Medical Assistance and the abstinence education program through December 31, 2005.

Veterans Medical Services Supplemental, FY 2005 (Section 601 of the Interior Appropriations, FY 2006) – P.L. 109-54

This provision provides an additional \$1.5 billion in funding to the Department of Veterans Affairs to cover budget shortfalls in veterans' healthcare. This funding reflects our commitment to supporting the troops both overseas and at home, and will ensure that our returning service members receive the quality care that they deserve.

Patient Safety and Quality Improvement Act – P.L. 109-41

This law creates and implements a voluntary system of medical error reporting, so that preventable medical errors can be identified and actions can be taken to ensure that they do not continue to occur. The confidentiality protections provided in this law give more incentives for providers to voluntarily report errors. Such reporting is critical to efforts to ensure patient safety and improve the quality of patient care.

Wired for Health Care Quality Act (S. 1418) – Passed Senate

This bill formally establishes the Office of the National Coordinator of Health Information Technology (ONCHIT), previously organized by Executive Order. The National Coordinator, through ONCHIT, serves as the principle advisor to the Secretary of Health and Human Services and the President for federal health information technology programs. ONCHIT is responsible for developing, implementing, and overseeing national health information programs that protect the privacy of health information, facilitating patient access to information while protecting it against unauthorized access. The bill also requires the Secretary to develop or adopt a system to measure the quality of care that patients receive.

Genetic Information Nondiscrimination Act (S. 306) – Passed Senate

This bill would prohibit discrimination on the basis of genetic information with respect to health insurance and employment. It would prohibit a group health plan or other provider of health insurance from adjusting premiums on the basis of genetic information and requesting or requiring an individual or a family member of such individual to undergo a genetic test. In the employment context, it prohibits the use of genetic information for employment decisions, such as hiring, firing, job assignments, and promotions.

Pandemic Counter Measure Protections (Provision in the Department of Defense Appropriations, FY 2006) – P.L. 109-148

The provision provides targeted liability protections under State and Federal law for manufacturers and distributors of pandemic and epidemic products (including vaccines) and security countermeasures, in the event that the Secretary of Health and Human Services makes a declaration of a public health emergency as a result of a disease or other health condition. The provision also provides a process for providing compensation for any cases in which the administration or use of a product covered by the emergency declaration caused injury or death.

Health Insurance Marketplace Modernization and Affordability Act of 2005, S. 1955

The cost of providing health insurance has doubled for employers over the past six years, particularly affecting small business owners without the numbers to negotiate reasonable health insurance costs. After 15 years of debate, it's time for Congress to act to provide real relief to America's working families.

This comprehensive, bipartisan package of health insurance reforms will make health insurance more accessible and affordable by making responsible and targeted modifications to health insurance principally in the small group market.

S. 1955 allows small businesses to pool together from the underlying small group market to negotiate the best prices for health insurance plans that are right for their families and employees, giving them the leverage that larger companies have had for years. Today, many small businesses simply cannot afford to offer coverage to their employees because comprehensive plans are so costly. The many mandates on health insurance coverage are much to blame for the prohibitive cost.

This groundbreaking legislation allows small businesses to offer more affordable choices to their employees by allowing them to offer some plans that differ from state mandates. If Small Business Health Plans (SBHPs) choose to offer mandate-light options, they must also offer a comprehensive health insurance option that follows one of the five most populous states' state employee benefit programs. (The five most populous states today are California, Florida, Illinois, New York, and Texas). This provision ensures that small business employees will have access to the more benefit-heavy plans if they would like. This bill solves concerns raised in the past about association health plans by making sure that access to a plan covering all benefits is preserved.

While some individuals and businesses may want to purchase insurance that covers many benefits, they should not be forced by law to buy benefits that may be beyond what they can afford. Allowing small businesses to offer a more affordable alternative increases the likelihood that uninsured individuals will have access to health care coverage.

It is important to note that this legislation ensures that oversight and regulation of health insurance will remain with states, which have proven adept at addressing consumer complaints and monitoring health insurance plans.

Mandates requiring health insurance plans to charge roughly the same premium to all consumers no matter their health status is another related reason health insurance costs have soared in recent years. Requiring a healthy twenty-five year old to pay a premium very similar to that of a sixty-year-old, who will be expected to incur four times the health care costs, is simply bad policy.

These mandates, called community rating, have been proven in many states to push younger, healthier people out of the health insurance market because their premiums are higher than what they would expect to spend on health care. This drives up the cost for older, higher risk, and chronically ill consumers. In fact, in the 10 states with the highest family health insurance premiums, seven used community rating to determine their premiums. By contrast, nine of the 10 states with the lowest family premiums used rating bands, which allow for more variance in premiums.

This bill would use a rating model developed by the National Association of Insurance Commissioners (NAIC) which allows for some variance in premiums, between 25 percent above or below the base rate. This will ensure that healthier people stay in the market and keep their insurance, while keeping cost down for everyone.

S. 1955 also provides for a harmonization board under the Department of Health and Human Services to develop uniform standards for health insurance regulation, specifically in the areas of form and rate filing, market conduct review, prompt payment of claims, and internal review.

Source: U.S. Senate Committee on Health, Education, Labor & Pensions

ENZI-NELSON-BURNS

S. 1955, the Health Insurance Marketplace Modernization and Affordability Act of 2005 (HIMMA)

Valuing Jobs, Valuing Families

Senate Republicans took a major step this week toward making health insurance more affordable for America's small business owners and working families.

The Senate Health Committee, on which I serve, reported out a bipartisan bill that would create more affordable options through Small Business Health Plans.

The bill would give small business owners the power to band together through their associations and negotiate for the benefits they want, at prices they can afford.

This bill would reduce the cost of health insurance for small employers by 12 percent – that's \$1,000 per employee – according to a respected actuarial firm.

The bill would also cover more than one million uninsured Americans in working families.

The bill would give a small or family-owned business the opportunity to choose the health plan that is best for the owners, their families, and their employees – whether it's a basic set of benefits or a more comprehensive option.

Senate Republicans will keep working in the coming weeks to bring this important legislation before the full Senate for debate to make affordable health insurance available to working families *by passing S. 1955, the Health Insurance Marketplace Modernization and Affordability Act.*

The Enzi-Nelson-Burns bill (S. 1955) creates new and more affordable health insurance options by:

- Enabling business groups to pool their members in small business health plans (SBHPs) for greater market clout and affordability.
- Protecting against adverse selection and market disruption by creating a level playing field between SBHPs and other options.
- Creating the opportunity for more coverage options in more states by simplifying and streamlining the current hodgepodge of varying health insurance regulation.
- Giving small businesses and working families the right to choose lower-cost coverage alternatives free of some of the current expensive benefit mandates.
- Protecting consumers by maintaining strong oversight of SBHPs at the state level and not moving it to Washington.

The bill draws on the best aspects of the current association health plan (AHP) bills, but it responds to the concerns over self-insurance and cherry-picking that have stalled this health insurance legislation for a decade.

The bill offers relief not just to members of associations, but to all purchasers as well.

The bill reflects months of careful compromise negotiation among stakeholders on all sides of the AHP issue, including small businesses, insurance regulators, and insurers.

The Actuarial Study of S. 1955
Mercer Oliver Wyman
March 7, 2006

The highly-respected actuarial firm, Mercer Oliver Wyman, issued a report on S. 1955, the Health Insurance Market Modernization and Affordability Act of 2005 on March 7, 2006. This report found that the bill, once fully phased in, will reduce employer premiums by 12 percent – which according to today’s health care spending estimates will save small businesses about \$1,000 per employee.

While reducing costs, the report also found that S. 1955 will newly insure 1 million more working Americans, reducing the number of working uninsured in this country by 8 percent.

The study also found that S. 1955 will reduce costs not only for small businesses, but by leveling an unfair playing field it will result in lower costs and fewer uninsured Americans for the insurance market as a whole.

These important reforms would be achieved by allowing premium variance, the offering of low-cost options, and streamlining administrative processes.

The analysis of the bill was conducted by Mercer for the National Small Business Association (NSBA), a traditional opponent of association health plan (AHP) legislation, but a supporter of the approach in S. 1955. In 2003, Mercer did a similar analysis of AHP legislation for the NSBA. That study found that one million people would actually lose coverage under that approach.

S. 1955 solves the problems presented by traditional AHP legislation and addresses broad discrepancies that have led to a growing uninsured population.

Suggested General Talking Points on Medical Liability Reform:

On Patients:

Patients are the #1 priority -- This is a health care crisis and patients are suffering because of the impact of excessive liability costs.

- Patients have lost their doctors and the care they provided.
- Patients have been denied health care services - from ob/gyn care to emergency trauma care.
- Patients have been forced to travel great distances because doctors have been driven out of their communities by unnecessary costs.

Every time another \$100 million verdict is awarded:

- o Patients' monthly premiums and deductibles will increase;
- o Patients' health care costs will increase, and
- o Patients even less fortunate won't be able to afford the medical care they need.

On Doctors:

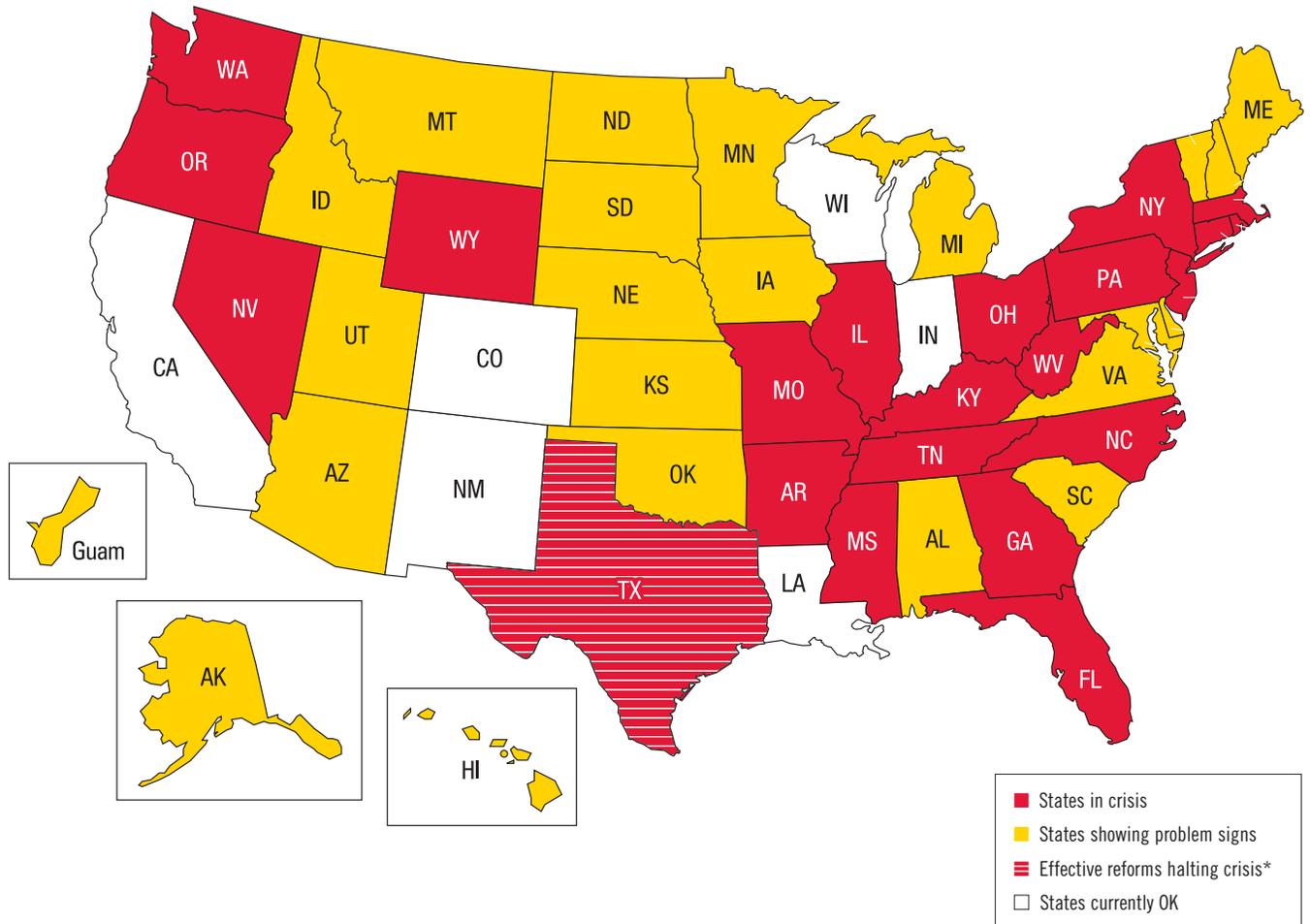
- Good doctors are being forced to leave their states or their profession altogether. Patients are left without care or forced to travel to other towns or communities.
- Without common sense reforms, doctors will continue to cut back services or retire altogether, leaving patients without care.
- Doctors should be able to be about the business of saving lives and not forced to close their doors because of greedy personal injury lawyers.
- HALF of the doctors practicing in some states were sued for malpractice in the year 2000 alone. Each of these lawsuits forced doctors away from caring for their patients. (The average cost for a doctor to defend against a baseless lawsuit is at least \$70,000.)
- Good doctors are often unable to afford the high cost of liability insurance and are forced to move or leave the profession

On delivering a solution:

- We will build bipartisan support to deliver a solution that protects patients, access and quality.
- Republicans are committed to a balanced approach to litigation reform that:
 - allows speedier resolution of medical lawsuits for the truly injured;
 - provides appropriate financial relief to the injured;
 - improves access to quality health care; and
 - lowers premiums and reduces health costs.

Medical liability crisis map

A national view of states in crisis



January 2006

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*In addition to enacting a cap on non-economic damages, Texas voters passed an amendment to the state constitution validating a cap.

CHRONOLOGY OF RATE CUTS BY TEXAS MEDICAL PROFESSIONAL LIABILITY CARRIERS

- March 23, 2006 The Doctors Company announces an 18% rate reduction—their second cut since the passage of Proposition 12.
- Feb. 17, 2006 Medical Protective announces a 13% rate cut--their third announced rate cut within the span of 11 months.
- Sept. 23, 2005 Medical Protective announces 5 % rate cut--their second announced cut within a six-month span.
- Sept. 17, 2005 Texas Medical Liability Trust (TMLT) declares 3rd rate cut since the passage of Prop. 12-this, a \$27.9 premium reduction –a combination of rate cuts, dividends and discounts for good claims experience. The \$10 million dividend is the equivalent of a 5 % rate cut.
- Aug. 16, 2005 American Physicians Insurance Exchange (APIE) announces their second rate cut within the span of seven months –this, a 13 percent cut.
- Early May The American Medical Association (AMA) takes Texas off its list of states in crisis. Texas is the only state ever to be removed from this list.
- April 7, 2005 Medical Protective announces a 2 % rate cut –their first cut since the passage of Proposition 12.
- March 15, 2005 The Joint Underwriting Association (JUA) announces a 10 % rate cut. Just 16 months earlier the JUA sought a 36 % rate hike; a rate increase rejected by then-Insurance Commissioner Jose Montemayor. The JUA subsequently froze their rates until the announced rate cut in March.
- Feb. 17, 2005 American Physicians Insurance Company (APIE) announces 5 % rate cut for two-thirds of their insured Texas physicians. The Doctors Company announces rate cuts ranging from 9-14 percent.
- Sept. 20, 2004 Texas Medical Liability Trust announces a 5% rate cut, their second rate reduction since the passage of Proposition 12.
- January 1, 2004 Texas Medical Liability Trust implements a 12% rate cut; the first major carrier to implement a rate cut following the passage of Proposition 12.

Memorandum March 29, 2006

TO: Honorable William H. Frist
Attention: Liz Hall

FROM: Henry Cohen
Legislative Attorney
American Law Division

SUBJECT: Medical Malpractice Law: Side-by-Side Comparison of California Law, Texas Law, and S. 354, 109th Congress

This memorandum is furnished in response to your request for a chart comparing medical malpractice law in California and Texas with S. 354, 109th Congress. S. 354 would preempt state law unless the state law "imposes greater procedural or substantive protections (such as a shorter statute of limitations) for a health care provider, health care organization, or the manufacturer, distributor, supplier, marketer, promoter, or seller of a medical product from liability, loss, or damages than those provided by this Act" (§ 11(c)(2)(A)).¹ Thus, for example, the bill's caps on damages would apply only in states that have no cap or a higher cap, and would not apply in states that have a lower cap (§ 11(b)(2)).²

As is apparent from the above quotation, S. 354 would apply not only to medical malpractice suits, but to suits against any "manufacturer, distributor, supplier, marketer, promoter, or seller of a medical product." Thus, S. 354 would apply to medical products liability suits, which are based on strict liability, as well as to medical malpractice suits, which are generally based on negligence or lack of informed consent. State laws that govern tort suits are not generally part of a single statute, and, consequently, some state law provisions may apply solely to medical malpractice suits, while others may apply to all tort suits. For example, California's caps on non-economic damages and on lawyers' contingent fees, as well as its statute that eliminates the collateral source rule, apply only in suits against health care providers, but its provisions limiting joint and several liability and requiring proof of clear and convincing evidence of punitive damages, apply in all tort suits.

¹ See CRS Report RS22075: *Medical Malpractice Liability Reform: S. 354, 109th Congress*.

² H.R. 5, 109th Congress, which the House passed on July 28, 2005, is similar to S. 354, but has several differences. One difference is that, though, like S. 354, it would generally not preempt state laws that are more favorable to defendants, it would make an exception for caps on damages and would not preempt any state cap, whether higher or lower than the bill's. See CRS Report RS22054: *Medical Malpractice Liability Reform: H.R. 5, 109th Congress*. 7000

	California Civil Code	Texas Civil Practice and Remedies Code	S. 354, 109th Congress
Cap on noneconomic damages	\$250,000. § 3333.2	\$250,000 per claimant against a physician or health care provider and \$250,000 per claimant against a health care institution. If more than one health care institution is liable, the cap against them all is \$500,000 per claimant. In a wrongful death or survival action against a physician or health care provider, the cap on total damages (including punitive damages) is \$500,000 per claimant, subject to increase or decrease in accordance with the consumer price index. §§ 74.301, 74.303.	\$250,000, "regardless of the number of parties against whom the action is brought or the number of separate claims or actions brought with respect to the same occurrence." § 5(b).
Cap on punitive damages	None	Greater of (1) two times the amount of economic damages plus the amount of noneconomic damages up to \$750,000; or (2) \$200,000. § 41.008.	\$250,000 or two times the amount of economic damages, whichever is greater. § 8(b)(2).
Punitive damages burden of proof	Clear and convincing evidence. § 3294(a).	Clear and convincing evidence. § 41.003.	Clear and convincing evidence. § 8(a).
Joint and several liability (each defendant may be held 100 % liable rather than merely in proportion to fault)	Joint and several liability for economic damages but not for non-economic damages. § 1431.2.	Joint and several liability only if its percentage of responsibility is greater than 50%. § 33.013. No joint and several liability with respect to punitive damages. § 41.006.	S. 354 would eliminate joint and several liability, and make each defendant liable only in proportion to its share of responsibility. § 5(d).
Collateral source rule (collateral	Defendant may introduce evidence of collateral source benefits; if	Collateral source rule applies. <i>Brown v. American Transfer & Storage Co.</i> , 601	Unless the collateral source "has a right of recovery by reimbursement or

source benefits are not deducted from damage awards)	he does, then plaintiff may introduce evidence of amounts paid to secure such benefits. No source of collateral benefits introduced into evidence has a right of subrogation. § 3333.1.	S.W.2d 931, 935 (Tex. 1980).	subrogation," S. 354 would eliminate the collateral source rule and require that damages be reduced "by the amount of any collateral source benefits to which the claimant is entitled, less any insurance premiums or other payments made by the claimant." § 7(a).
Lawyer's contingent fees	40% of the first \$50,000; 33% of the next \$50,000; 25% of the next \$500,000; 15% of any additional amount. § 6146.	No statutory limits found.	40% of the first \$50,000; 33% of the next \$50,000; 25% of the next \$500,000; 15% of any additional amount. § 5.
Statute of limitations	3 years after the date of injury or 1 year after the plaintiff discovers the injury, whichever occurs first, but not more than three years except in cases of fraud, intentional concealment, or foreign body. For minors: 3 years from date of wrongful act except if minor is under six, then within 3 years or prior to 8th birthday, whichever is longer. § 340.5.	"two years from the occurrence of the breach or tort or from the date the medical or health care treatment ... is completed; provided that minors under the age of 12 years shall have until their 14th birthday in which to file ... the claim. ... A claimant must bring a health care liability claim not later than 10 years after the date of the act or omission that gives rise to the claim." § 74.251.	3 years after the date of manifestation of injury or 1 year after claimant discovers injury, whichever occurs first, but not to exceed 3 years after the date of manifestation except in cases of fraud, intentional concealment, or foreign body. For minors: 3 years from manifestation except if minor is under six, then within 3 years of manifestation or prior to 8th birthday, whichever is longer. § 4.
Periodic payment of future damages	At the request of either party, the court shall order periodic payment of awards of future damages of \$50,000 or more. § 667.7.	At the request of either party, the court shall order that damages (not just future damages) be paid in whole or in part in periodic payments. § 74.503.	At the request of either party, the court shall order periodic payment of awards of future damages of \$50,000 or more. § 9.
Expert	"A person is	In suit against a	No expert witness

witnesses	qualified to testify as an expert if he has special knowledge, skill, experience, training or education ^{www} Evidence Code, § 720.	physician, expert witness must be a physician practicing medicine at the time of testimony or at the time the claim arose, have knowledge of accepted standards, and be qualified on the basis of training or experience to offer an expert opinion. Other qualifications are required in suits against health care providers or for witnesses on the question of causation. §§ 74.401, 74.402, 74.403.	could testify on the issue of negligence unless he is appropriately credentialed, typically treats the condition under review, and is substantially familiar with standards of care and practice. § 6(c).
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Health Savings Accounts: Affordable And Accessible Health Care

Recently, President Bush Discussed His Agenda To Make Health Care More Affordable And Accessible By Expanding Health Savings Accounts (HSAs). The President discussed how HSAs are giving Americans more control over their health care costs and decisions and are helping businesses make health care more affordable and accessible for employees.

Health Savings Accounts: The Basics

What Are HSAs? Established by the Medicare reform bill President Bush signed into law in December 2003, HSAs allow Americans to save tax-free dollars to pay for near-term medical expenses and save for future longer-term costs. Accounts are accompanied by an HSA-qualified insurance plan covering major medical expenses and preventive care. HSA-qualified insurance plans are an alternative to traditional health insurance policies and have lower premiums and higher deductibles. Savings from lower premiums can be put toward funding the HSA.

- **Who Is Eligible For HSAs?** To be eligible for HSAs, individuals must be covered by an HSA-qualified insurance policy. Americans with government health benefits, for example Medicare and Medicaid, are generally ineligible.
- **How Do People Sign Up For HSAs?** People with HSA-qualified plans can open up their account with banks, credit unions, insurance companies, and other approved companies. Employers may also set up plans for employees. More information is available on the Treasury Department website at <http://www.treas.gov/offices/public-affairs/hsa/faq.shtml>.
- **What Are HSA-Qualified Insurance Policies?** HSA-qualified insurance policies are more affordable insurance plans that protect individuals and families in the event of major medical illness. These plans generally provide the same benefits as traditional insurance policies, including prescription drug coverage, doctor's visits, emergency room visits, and hospitalization. However, they require that a higher deductible be met before benefits are paid. The higher deductible allows the insurance company to charge significantly lower premiums.
- **How Much Can Be Contributed To An HSA Annually?** For 2006, Americans can contribute up to \$2,700 per year for individual coverage or up to \$5,450 per year for a family. However, annual contributions cannot exceed the deductible of the HSA-compatible insurance policy. For example, if the deductible is \$1,100, not more than \$1,100 can be contributed that year. Both individuals and employers can contribute to HSAs. Money unspent one year rolls over into the next year. Americans age 55 or older (and not yet enrolled in Medicare) can make additional "catch-up" contributions of up to \$700 per person this year, which can provide extra help to many early retirees.

HSAs Provide Americans With More Control Over Health Care Costs. Americans own and control the money in their HSA. They decide how to spend the money in their account on their own health care needs, and they keep what they do not spend. HSAs can make health insurance more affordable and help businesses lower health care costs.

- **Increased Patient Control Over Health Care Spending Can Result In Better Value For The Patient.** For example, overall health care costs have risen, but competition and consumer choice have lowered the cost of laser eye surgery (LASIK) – a procedure not covered by most insurance plans. The consumer marketplace led the price of this surgery to fall by almost half, and procedures increased 10-fold from 1998 to 2002.

Health Savings Accounts: Expanding Health Care Coverage And Lowering Costs

More Americans Are Signing Up For HSAs. The number of Americans with HSAs has tripled from one million in March 2005 to the more than three million reported in January 2006. The number of Americans with HSAs is currently projected to increase to 29 million by 2010.

- **Low- And Moderate-Income Americans And Those Previously Uninsured Are Enrolling In HSAs.** More than one-third of HSA purchasers last year had incomes under \$50,000 per year, and one-third of individual HSA purchasers last year were previously uninsured.
- **HSAs Are Helping Small Businesses Provide Health Insurance.** The latest survey data indicate one-third of small businesses offering HSAs previously did not offer insurance to employees.

Building On This Success, The President Proposes To Expand HSAs By:

- **Giving Individuals Who Independently Purchase HSAs The Same Tax Advantages As Those With Employer-Sponsored Insurance.** The President proposes making premiums for HSA-compatible insurance policies tax-free when purchased directly by individuals instead of through their employers. An income tax credit would offset payroll taxes paid on premiums for HSA policies – especially helping the self-employed, unemployed, and workers for companies that do not offer insurance. Americans who are not working, especially early retirees, could pay premiums for the purchase of non-group HSA plans tax-free from an HSA account.
- **Eliminating All Taxes On Out-Of-Pocket Spending Through HSAs.** The President proposes allowing Americans with HSAs and their employers to make annual HSA contributions to cover all out-of-pocket costs tax-free under their HSA policy, not just the deductible as provided under current law.
- **Extending The Benefits Of HSAs To Low-Income Families And Individuals Through Refundable Tax Credits.** A family of four making \$25,000 per year or less will be able to receive a refundable tax credit of \$3,000 from the Federal government to help purchase an HSA-compatible policy. These families can put up to \$1,000 of that money directly into an HSA to cover routine medical expenses.
- **Enabling Portable HSA Insurance Policies.** Employers would have the ability to offer workers a portable HSA-qualified insurance policy that employees could keep after changing jobs. Premiums would be tax-free and would not increase based on employees' health status upon changing jobs, leaving the labor force, or moving.
- **Allowing Employers To Make Higher Contributions To The HSAs Of Chronically Ill Employees.** Under current law, employers must contribute the same amount to each employee's HSA. This prevents employers from providing extra help to chronically ill employees to pay for their higher-than-average out-of-pocket expenses. Permitting employers to make higher contributions will help chronically ill employees fund their HSAs and pay their out-of-pocket expenses tax-free through their accounts.

The President's Agenda To Make Health Care More Affordable And Accessible To All Americans

Passing Association Health Plans (AHPs) To Give Small Businesses The Same Benefits As Big Businesses And The Ability To Expand Employee Coverage. AHPs let small businesses join together across state lines to purchase health insurance, giving them the same advantages, administrative efficiencies, and negotiating

clout enjoyed by big companies and labor unions. By purchasing coverage for thousands of employees at a time, association members can pay lower premiums for better coverage. The President has called on Congress to allow small businesses to form AHPs.

Enhancing The Medical Liability System's Fairness And Predictability While Reducing Wasteful Costs. Frivolous lawsuits and excessive jury awards limit access to health care by driving providers out of many communities. They also increase costs by forcing doctors to practice defensive medicine. Lawsuits are driving many good doctors out of practice – leaving women in nearly 1,500 American counties without a single OB-GYN . The President calls on Congress to pass medical liability reforms securing an injured patient's ability to get quicker compensation for economic losses while reducing frivolous lawsuits.

Improving Health Information Technology (IT). The Administration is working to expand the use of health IT to lower costs, reduce medical errors, and improve quality of care. In 2004, the President launched an initiative to make electronic health records available to most Americans within the next 10 years.

Increasing Transparency In The Health Care System. Americans should be able to easily obtain understandable information about the price and quality of health care. The President urges medical providers and insurance companies to make information about prices and quality readily available to all Americans prior to treatment.

Additional Items



S. 2349, the Lobbying Transparency and Accountability Act of 2006

As reported by the Senate Homeland Security and Governmental Affairs Committee
and passed by the Senate on March 29, 2006

Section-by-Section Summary

TITLE I - LEGISLATIVE TRANSPARENCY AND ACCOUNTABILITY ACT OF 2006

Section 101. Short Title: Title I shall be referred to as the Legislative Transparency and Accountability Act of 2006.

Section 102. Out of Scope Matters in Conference Reports: New Point of Order against out of scope matters in Conference Reports. Point of Order can be waived by 60 votes. If the Point of Order is sustained, the offending material is deleted from the Conference Report and returned to the House for its concurrence.

Section 103. Earmarks: Creates a new Standing Rule (XLIV) dealing with earmarks. Earmarks are defined as “a provision that specifies the identity of a non-Federal entity to receive assistance....” “Assistance” is defined to include budget authority, contract authority, loan authority, and other expenditures including tax expenditures or other revenue items.

This new Standing Rule requires that all Senate bills or conference reports include a list of all earmarks in the measure; an identification of the Member who proposed the earmark, and an explanation of the essential government purpose of the earmark. The bill or Conference Report, including the list of earmarks, must be available to the Senate and to the general public on the Internet for at least 48 hours before its consideration.

Section 104. Availability of Conference Reports on the Internet: Provides for the implementation of the requirement that Conference Reports be available to the general public for at least 48 hours before its consideration. Requires the creation of a new Senate website capable of posting this information. The effective date of this Section is set as 60 days after the date of enactment of the Act.

Section 105. Floor Privileges for Former Members: Amends Standing Rule XXIII of the Standing Rules of the Senate to eliminate floor privileges for former Members, former Senate Officers, and former Speakers of the House who are either registered lobbyists or employed by an entity for the purpose of influencing the passage, defeat or amendment of any legislative proposal. Permits the Committee on Rules and Administration to issue regulations allowing floor privileges for such individuals for ceremonial functions or events designated by the Majority and Minority Leader.

Section 106. Gifts and Meals: Amends Standing Rule XXXV to ban gifts from registered lobbyists or foreign agents. The current exceptions and dollar limits on acceptable gifts and meals are retained.

Section 107. Pre-Clearance of Trips and Disclosure: Subsection (a) amends Standing Rule XXXV to require pre-clearance approval by the Senate Select Committee on Ethics to receive transportation or lodging provided by a third party, other than travel sponsored by a governmental entity. The person providing the transportation and lodging would have to certify that the trip was not financed, in whole, or in part by a registered lobbyist or foreign agent and that the person sponsoring the trip did not accept directly, or indirectly, funds from a registered lobbyist or foreign agent earmarked to finance the trip. In addition, the certification must provide that the trip was not planned, organized or arranged by or at the request of a registered lobbyist or foreign agent and that registered lobbyists will not participate in or attend the trip.

A detailed trip itinerary would have to be provided to the Ethics Committee along with a written determination by the Senator that the trip is primarily educational; consistent with official duties, does not create an appearance of use of public office for private gain, and has a minimal, or no, recreational component, before the Committee could approve the trip.

Not later than 30 days after the trip is completed, the Member would have to file with the Select Committee on Ethics and the Secretary of the Senate a description of the meetings and events attended during the trip and the name of any registered lobbyist who accompanies the Member during the trip. Such information would also have to be posted on the Member's Senate website. Disclosure would not be required if such disclosure would jeopardize the safety of an individual or adversely affect national security.

Subsection (b) amends Standing Rule XXXV to require that a Member or employee who is provided a flight on a private aircraft, other than an aircraft that is owned, operated or leased by a governmental entity, file a publicly available disclosure report with the Secretary of the Senate identifying the date, destination and owner or lessee of the aircraft, the purpose of the trip and the persons on the trip except the persons flying the aircraft. A similar disclosure, without an exclusion for government flights, would be required to be filed with the Federal Election Commission if such a flight took place as part of a federal election campaign.

Section 108: Post-Employment Restrictions: Amends Standing Rule XXXVII to conform the post-employment registered lobbyist restrictions on Senate staff earning 75 percent of the rate of pay of a Member with the restrictions that are imposed on former Senators. Such staff would be prohibited from lobbying the Senate for one year after their employment terminates. For purposes of the one year prohibition, lobbying contacts would not include seeking lobbying disclosure compliance information from the Clerk of the House or the Secretary of the Senate. The effective date of the one year prohibition on staff lobbying the Senate is 60 days after the date of enactment.

Section 109: Public Disclosure of Employment Negotiations: Amends Standing Rule XXXVII to require that a Member who is engaged in prospective private sector employment negotiations, prior to the election of the Senator's successor, must file a public disclosure statement with the Secretary of Senate regarding such negotiations within three business days after the commencement of such negotiations.

Section 110: Lobbying by Family Members: Amends Standing Rule XXXVII to provide if a Member's spouse or immediate family member is a registered lobbyist or employed by a registered lobbyist, staff employed by the Member are prohibited from having any official contact with the Member's spouse or immediate family member.

"Immediate Family Member" is defined as the son, daughter, stepson, stepdaughter, son-in-law, daughter-in-law, mother, father, stepmother, stepfather, mother-in-law, father-in-law, brother, sister, stepbrother, or stepsister of the Member."

Section 111: Unlawfully Using Public Office to Influence Hiring Decisions: Amends Standing Rule XLIII to prohibit a Member from seeking to influence, on the basis of political affiliation, an employment decision of any private entity by taking or withholding or offering or threatening to take or withhold an official act; or to influence or offer or threaten to influence, the official act of another.

Section 112: Sense of the Senate on Scope of Restrictions in The Act: A Sense of the Senate resolution that any restrictions imposed by this Act on Members and employees of Congress should apply to the Executive and Judicial branches.

Section 113. Amounts of COLA Adjustments Not Paid to Certain Members of Congress: Provides that any cost

of living adjustment provided for under section 601(a) of the Legislative Reorganization Act of 1946 (2. U.S.C. 31) shall not be paid to a Member of Congress who voted for any amendment (or against the tabling of any amendment) that provided that such adjustment would not be made. The effective date of this section is the first day of the first applicable pay period beginning on or after February 1, 2007.

Section 114. Requirement of Notice of Intent to Proceed: Establishes a Standing Order providing that the Senate Majority and Minority Leaders shall not recognize a “hold” from a member of their caucus unless the “hold” is submitted to the appropriate leader in writing and, within three session days after such submission, the Senator submits the “hold” for publication in the Congressional Record. The Secretary of the Senate shall establish a new section in the Senate Legislative and Executive Calendars entitled “Notices of Intent to Object to Proceeding” where all “holds” will be listed.

Section 115: Effective Date: Provides that the Act shall take effect on the date of enactment except in those cases where a different enactment date is provided.

TITLE II - LOBBYING TRANSPARENCY AND ACCOUNTABILITY ACT OF 2006

Section 200. Short Title: Title II shall be referred to as the Lobbying Transparency and Accountability Act of 2006.

Subtitle A – Enhancing Lobbying Disclosure

Section 211. Quarterly filing of lobbying disclosure reports: Requires filing of quarterly rather than semi-annual disclosures under the Lobbying Disclosure Act, and reduces the amounts of income and expenditures that trigger registration by lobbyists to conform to shorter disclosure periods to \$2,500 and \$10,000, respectively.

Section 212. Annual report on contributions: Requires each registrant to make an annual disclosure of contributions to federal candidates and office holders, their leadership PACs, and political party committees. Requires disclosure of fund-raising events hosted, co-hosted, or otherwise sponsored by registrants.

Section 213. Public database of lobbying disclosure information: Requires the creation of an electronic database containing lobbying registration and reporting information available to the public over the Internet. Requires electronically filed lobbying disclosure reports to be made available over the Internet within 48 hours.

Section 214. Disclosure by registered lobbyists of all past executive and congressional employment: Requires disclosure of whether a lobbyist has ever worked as a covered executive or legislative branch official. Current law requires only disclosure for two years following employment with the executive or legislative branches.

Section 215. Disclosure of lobbyist travel and payments: Requires new quarterly disclosures of payments by lobbyists, lobbying firms, and lobbying organizations registered under the Lobbying Disclosure Act. Requires registrants and their employees listed as lobbyists to report travel by executive and legislative branch officials for which they provided, or directed or arranged to be provided, payment or reimbursement. Lobbyists would be required to make travel disclosures not later than 30 days after the travel.

Requires registrants and their employees listed as lobbyists to report contributions:

- for events to honor or recognize executive or legislative branch officials
- to or on behalf of entities named for executive or legislative branch officials,
- to entities established, financed, maintained, or controlled by legislative or executive branch officials
- to pay the costs of meetings, retreats, conferences, or similar events held by or for the benefit of legislative or executive branch officials.

Lobbyists would also be required to disclose any gift valued in excess of \$20 and would be required to identify clients as being either public or private entities.

Section 216. Increased penalty for failure to comply with lobbying disclosure requirements: Increases the maximum civil fine for violations of the Lobbying Disclosure Act from \$50,000 to \$200,000.

Section 217. Disclosure of lobbying activities by certain coalitions and associations: Requires disclosure of organizations that: (1) contribute \$10,000 or more to a coalition or association registered under the Lobbying Disclosure Act; and (2) participate in a substantial way in the management of lobbying activities. Current law requires disclosure only if an organization “in whole or in major part plans, supervises, or controls such lobbying activities.”

Section 218. Disclosure of enforcement for noncompliance: Requires the Secretary of the Senate and the Clerk of the House to disclose the number of referrals to the Justice Department for enforcement, and the Justice Department to disclose the number of enforcement actions undertaken on those referrals.

Section 219. Electronic filing of lobbying disclosure reports: Requires electronic filing of lobbying disclosure reports.

Section 220. Disclosure of paid efforts to stimulate grassroots lobbying: Requires disclosure of efforts to encourage members of the general public to contact legislative or executive branch officials. Communications made by an entity directed at its members, employees, officers, or shareholders are excluded from reporting.

Defines “paid efforts to stimulate grassroots lobbying” as any paid attempt in support of lobbying contacts on behalf of a client to influence the general public or segments thereof to contact one or more covered legislative or executive branch officials (or Congress as a whole) to urge such officials (or Congress) to take specific action with respect to specific issues or proposals, as defined under the Lobbying Disclosure Act.

This section exempts de minimis grassroots lobbying from reporting requirements, excluding any effort that amounts to under \$25,000 per quarter and excluding any attempt to stimulate grassroots lobbying that is directed at 500 members of the general public or less.

Any entity that already reports expenditures of grassroots lobbying to the Internal Revenue Service under 26 U.S.C. § 4911 would be allowed to report the same expenditures under the Lobbying Disclosure Act without reference to the definitions in this section.

Under this provision and section 217, no member of a grassroots lobbying coalition is subject to disclosure solely for contributing to the coalition. To be disclosed, a coalition member must contribute at least \$10,000 to the lobbying activities of the coalition, and must have a substantial role in the direction of lobbying activities.

Section 221. Electronic Filing and Public Database for Lobbyists of Foreign Governments: Requires electronic filing and Internet publication of filings under the Foreign Agents Registration Act.

Section 222. Effective date: Sets effective date of January 1, 2007.

Subtitle B - Oversight of Ethics and Lobbying

Section 231. Comptroller General audit and annual report: Directs the Comptroller General to review and

audit on an annual basis the activities under the Lobbying Disclosure Act and provide recommendations to improve compliance and identify needed resources and authorities.

Section 232. Mandatory Senate Ethics training for Members and staff: Provides for mandatory ethics training for Members and staff. Current Members and staff would be required to complete training within 120 days of the date of enactment. Newly elected Members and appointed staff would be required to complete training within 60 days of election or appointment.

Section 233. Sense of the Senate that there should be greater self-regulation within the lobbying community: Expresses the Sense of the Senate that the lobbying community should develop proposals for multiple self-regulatory organizations which could provide for –

- the creation of standards appropriate to the type of lobbying and individuals to be served;
- training for the lobbying community on the Lobbying Disclosure Act;
- the development of educational materials for the public on how to responsibly hire a lobbyist or firm;
- standards regarding reasonable fees to clients;
- the creation of a third-party certification program that includes ethics training; and
- disclosure of requirements to clients regarding fee schedules and conflict of interest rules.

Section 234. Annual ethics committees reports: Requires the congressional ethics committees to annually disclose –

- the number of alleged violations of Senate or House rules;
- a list of the number of allegations that were dismissed for lack of subject matter jurisdiction or because they failed to state a claim of a violation;
- the number of complaints for which ethics committee staff conducted a preliminary inquiry;
- the number of complaints that staff presented to the committee with recommendations that the complaint be dismissed;
- the number of complaints staff presented to the committee with recommendations that the investigation proceed;
- the number of ongoing inquiries;
- the number of complaints that the committee dismissed for lack of substantial merit;
- the number of private letters of admonition or public letters issued; and
- the number of matters resulting in a disciplinary sanction.

Subtitle C - Slowing the Revolving Door

Section 241. Amendments to restrictions on former officers, employees, and elected officials of the executive and legislative branches: Extends the “revolving door” provisions from one year to two years for Members of Congress and very senior executive branch officials. Extends the limitation on lobbying contacts for covered congressional staff from the former employer or employing entity to the entire body in which they formerly served.

Subtitle D- Ban on Provision of Gifts or Travel by Lobbyists in Violation of the Rules of Congress

Section 251. Prohibition on provision of gifts or travel by registered lobbyists to Members of Congress and to congressional employees: Bans lobbyists from providing travel and gifts to Members and staff except in conformance with House and Senate rules.

Subtitle E - Commission to Strengthen Confidence in Congress Act of 2006

Section 261. Short Title: Subtitle E shall be referred to as the Commission to Strengthen Confidence in Congress Act of 2006.

Section 262. Establishment of Commission: Creates a “Commission to Strengthen Confidence in Congress.

Section 263. Purposes: To evaluate and improve congressional rules and federal statutes related to the following matters—

- the effectiveness of the current congressional ethics requirements and penalties;
- the need for improved ethical conduct with the need for Congress to have access to experience on public policy issues;
- whether the current system for enforcing ethics rules and standards of conduct is sufficiently effective and transparent;
- whether the statutory framework governing lobbying disclosure should be expanded to include additional means of attempting to influence Members of Congress, senior staff, and high-ranking executive branch officials; and
- analyzing and evaluating the changes made by the overall bill to determine whether additional changes need to be made to uphold and enforce standards of ethical conduct and disclosure requirements.

Section 264. Composition of Commission: Ten bipartisan members appointed by Republican and Democratic leaders in the House and Senate. The members should be five Republicans and five Democrats and may not be federal, state or local government official or employee at the time of appointment. The membership must include at least two former Senators and two former Representatives.

Section 265. Functions of Commission: To issue a report related to the purposes of the Commission.

Section 266. Powers of Commission: Holding hearings, taking testimony, collecting evidence.

Section 267. Administration: The Commission has authority to pay its members, compensate for travel, hire and pay staff, hire and pay experts and consultants on a temporary basis, obtain office space in the Capitol complex, make use of GAO support services, frank mail, and make use of GPO printing services.

Section 268. Security Clearances for Commission Members and Staff: Federal agencies and departments shall cooperate to provide necessary security clearances.

Section 269. Commission Reports; Termination: The Commission must submit its initial report to Congress no later than July 1, 2006, with annual reports thereafter, until a final report is issued in five years.

Section 270. Funding: Appropriations are authorized as necessary to carry out this subtitle.