



FEDERAL ACTIVITIES

Senate Banking Committee Passes Financial Reform Legislation. On March 22, the Senate Banking Committee approved the Restoring American Financial Stability Act of 2010 on a strictly party line vote. The 1300 page bill contains several provisions that are of great importance to our members. Some of the highlights-

Regulation of Financial Planners

Section 919 of the bill provides for a Government Accountability Office (GAO) study to determine the appropriate regulation for the financial planning profession. In making its recommendations, the GAO will consider the appropriate structure for regulation of financial planners and the appropriate scope of the regulations needed to protect consumers, including, but not limited to, the need to establish competency standards, practice standards, ethical guidelines, disciplinary authority, and transparency to consumers. The study must be completed within 180 days of the passage of the legislation. The GAO will send its recommendations in a report to the Senate Committee on Banking, Housing and Urban Affairs; the Senate Special Committee on Aging (chaired by Senator Kohl); and the House Committee on Financial Services.

While we had hoped to have Senator Kohl introduce a provision creating a financial planner oversight board, this study is truly a good first step. (Continued on next page)

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CAPITOL UPDATE

Fiduciary Standard

Section 913 of the bill requires the SEC to undertake a study of the effectiveness of existing regulatory standards imposed on broker/dealers and investment advisers and whether there are any regulatory gaps. The SEC is directed to consider, among other things:

- 1) The resources it and FINRA devote to examine broker/dealers and investment advisers as well as the frequency of the exams;
- 2) How applying the fiduciary standard of care to broker/dealers will reduce customer access to products; and
- 3) The impact of authorizing a self-regulatory organization to augment the efforts of the Commission to oversee investment advisers.

The SEC is given a year to complete the study and then send its findings back to Congress.

Consumer Agency

Much like the House of Representatives bill, section 1002 gives the consumer agency jurisdiction over those who give certain types of financial advice.

The FPA, as part of the Financial Planning Coalition, will continue to actively work with the Senate to ensure that, among other concerns, the study provisions remain in the bill and to modify the fiduciary standard study language.

The Patient Protection and Affordable Care Act is Passed by Congress. The Act was signed into law on March 23rd. A second smaller measure – making changes to the first – was passed by Congress on March 25th and signed into law on March 30th. Some highlights include:

- No lifetime benefit limits and only limited annual benefit limits
- Coverage for dependent children up to age 26, as long as they do not have access to other employer-sponsored health coverage (the reconciliation bill also assures that this coverage can be provided on a tax-free basis)
- No preexisting conditions for children under age 19
- No cancellation of health coverage, except in cases of fraud (primarily an individual insurance policy issue)
- New limitations on Flexible Spending Accounts (FSAs) and Health Savings Accounts (HSAs)
- Higher taxes on wages and investment income for taxpayers with earnings over \$200,000 and \$250,000 (joint)
- Requires employers with 50 or more employees to offer coverage to their employees or pay a fine

WEB LINK

http://banking.senate.gov/public/files/ChairmansMark31510AYO10306_xmlFinancialReformLegislationBill.pdf

<http://banking.senate.gov/public/files/032310MangersAmendmentAYO10627.pdf>

WEB LINK

To read the full FPA summary click [here](#)

To read more about the small business health care tax credit and if it would apply to your small business click [here](#)

CAPITOL UPDATE

SEC Weighs Proposal to Tag High-Frequency Trades. The plan would see the Securities and Exchange Commission give high-frequency firms unique identifiers, allowing the agency to keep closer tabs on traders that are not registered market-makers or broker-dealers. The agency is undertaking a cost-benefit analysis on tagging to high-frequency firms' trades, and is expected to move forward with a proposal in the near future.

WEB LINK

Click [here](#) for full article

•Federal Tax Issues

Independent Contractor Status

FPA has been meeting with staff of the House and Senate tax committees to educate them about the effect the proposed legislation (HR 3408, S 2882) would have on the financial services industry. We have had a good reception to date. Most offices realize that financial planners and independent broker dealers are legitimately independent contractors. We are working with Congress and other financial services organizations to develop appropriate language to address our issues.

It is highly likely that the provision will be included in a bill before the Memorial Day recess.

WEB LINK

Click [here](#) for more information

House Passes Limits on GRATs, Info Reporting on Rental

Property. At the end of March, the House passed the Small Business and Infrastructure Jobs Tax Act of 2010 (H.R. 4849). The bill included a proposal that would require a minimum 10-year term for grantor annuity trusts (GRATs). The legislation would also require taxpayers with rental income to report payments of \$600 or more to a service provider (such as a plumber, painter, or accountant) to the IRS (typically Form 1099-MISC) and to the service provider.

WEB LINK

Click [here](#) for the full article

Click [here](#) for the bill

Nearly half pay no income tax, 40% get cash infusion. About 47% will pay no federal income taxes for 2009 because either their incomes were too low or the qualified for enough credits, deductions, and exemptions to eliminate their tax liability. The bottom 40% of taxpayers actually receive a subsidy - they receive more money than they owed.

WEB LINK

Click [here](#) for the full article

CAPITOL UPDATE

Tax Incentives for New Hires. Two new tax benefits are now available to employers hiring workers previously unemployed or only working part time. These provisions are part of the Hiring Incentives to Restore Employment (HIRE) Act enacted into law on March 18, 2010. First, employers who hire unemployed workers this year (after Feb. 3, 2010 and before Jan. 1, 2011) may qualify for a 6.2-percent payroll tax incentive, in effect exempting them from their share of Social Security taxes on wages paid to these workers after March 18, 2010. Second, an employer may claim an additional general business tax credit of up to \$1,000 per qualified worker.

WEB LINK

http://www.groom.com/media/publication/675_x-HIRE%20newsletter_final.pdf

State Activities

California

New Home and First-Time Buyer Credit begins May 1

These tax credits are available for taxpayers who purchase a qualified principal residence on or after May 1, 2010, and before January 1, 2011.

WEB LINK

http://www.ftb.ca.gov/individuals/New_home_Credit.shtml

CA Won't Tax Debt Relief

The California legislature approved legislation to partially conform the state's cancellation of debt laws to the federal code. A spokesman for Gov. Arnold Schwarzenegger said he will sign the bill. The changes would apply retroactively to discharges of indebtedness occurring on or after January 1, 2009. The bill would give relief to residents who have lost their homes.

WEB LINK

<http://www.sacbee.com/2010/04/09/2666095/california-wont-tax-forgiven-home.html>

Ohio

Ohio a low tax state? Not so fast.

The Tax Foundation releases its analysis that contradicts claims by Ohio's Revenue Department office. According to their estimate, Ohio's 2008 tax burden per capita of \$4,049 ranks 18th highest nationally, and state residents spend 10.4 percent of their income on state and local taxes, 7th highest in the US.

WEB LINK

<http://www.taxfoundation.org/publications/show/26156.html>

BELOW THE BELTWAY

Will Primary Win Lose The General Election in Hawaii?

WEB LINK

http://hotlineoncall.nationaljournal.com/archives/2010/04/could_hi_be_the.php

Nobel Laureate Gives Tax Tip to Wealthy - Move

WEB LINK

<http://www.bloomberg.com/apps/news?pid=20603037&sid=abRQo40VGwAI>

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