



FEDERAL ACTIVITIES

Financial Services Reform Moves Toward Completion. With the recess and election calendars looming large, the Senate moved quickly to debate and vote on a financial services reform bill in May. The Restoring American Financial Stability Act of 2010 (S. 3217) was approved by a vote of 59-39, largely along party lines, but with 4 Republicans and 2 Democrats bucking their parties. While about 400 amendments were filed by Senators in the hope of making changes to the bill, only a couple of dozen were actually debated and voted on as the Senate sought to move the bill along expeditiously. Having done so, the financial services committee members of the House and Senate will hold their first conference committee in several years to reconcile differences between the Senate bill and a House bill which passed last December. Leaders of the conference committee are hoping to have a bill on President Obama's desk by the July 4th holiday.

WEB LINK

Senate Bill [Summary](#)
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CAPITOL UPDATE

Financial Planning Study Included in Reform Bill. As a conference committee looks to reconcile the Senate and House versions of regulatory reform, they will be deciding on details of a study of financial planning. Both bills call for the Government Accountability Office (GAO) to conduct a study of financial planning and how planners are regulated. FPA and its Financial Planning Coalition partners – CFP Board and NAPFA – have been promoting the study as an important step forward for the recognition of financial planning. Senator Herb Kohl (D-Wisc) and Representative Michael Capuano (D-Mass) have been particularly supportive through the process. When the study commences, FPA expects to serve as an important resource for the GAO.

Fiduciary- To Be Determined. Despite a full court press from FPA, the Senate's financial reform bill included a study on applying a fiduciary standard to brokers who provide investment advice, rather than authority for the SEC to actually apply such a standard. FPA, the Financial Planning Coalition, and others backed an amendment offered by Senators Akaka (D-HI), Menendez (D-NJ), and Durbin (D-III) that like the house bill, required brokers who give personalized advice to retail customers to abide by the same fiduciary standard as advisers. The different approaches to the fiduciary standard will now have to be resolved in the conference committee, and FPA expects to launch a targeted grassroots campaign in support of the House version in the coming weeks.

TAX AND SAVINGS ISSUES

Congress Fails to Pass Tax Extenders Bill. Congress failed to extend a number popular tax provisions that expired at the end of 2009. An agreement reached between the House and Senate tax-writing committees fell apart after House leaders were forced to make concessions to appease different factions within their caucus. Two significant changes were adopted by the House: (1) the bill would restrict the ability of S Corporation partners to avoid FICA taxes on income, (2) the bill would require 401(k) and other direct contribution plans to disclose fees and expenses associated with plan investment options. The fate of these provisions in the Senate is uncertain.

FPA Expresses Concerns with Independent Contractor Proposal. FPA sent letters to Sen. Kerry and Rep. McDermott to express concerns with legislation they have introduced (S. 2882 and H.R. 3408) that would require firms to undergo an examination or obtain a written determination letter from the Internal Revenue Service (IRS) in order to classify workers as independent contractors. While attempting to address and area of abuse, the legislation would have the effect of penalizing law-abiding taxpayers.

WEB LINK

Click [here](#) to see the letter on FPA's website

CAPITOL UPDATE

Public Opinion on Taxes, Debt. About half of Americans think they paid about the right amount in taxes “considering what you get from the Federal Government,” while 43 percent feeling the paid too much. Concern about the deficit is growing. 60 percent think reducing the budget deficit should be a top national priority. The most popular solution? 72 percent endorse raising taxes on those making over \$1 million.

WEB LINK

Click [here](#) for the full article

Enormous Debt Could Slow GDP Growth. The CBO expects public debt to grow from 63 percent this year to 90 percent in 2020. When gross debt hits 90 percent of GDP, growth “deteriorates markedly,” according to Carmen Reinhart, a University of Maryland economist, in remarks to the bipartisan National Commission on Fiscal Responsibility and Reform.

WEB LINK

Click [here](#) for the full article

CBO Says Stimulus Bill Created Jobs, Reduced Unemployment. The nonpartisan Congressional Budget Office estimates that American Investment and Recovery Act passed in early 2009 has increased the number of jobs by 1.2 to 2.8 million. CBO projects that a total of 3.7 million jobs could be created by the end of September. The \$787 billion bill reduced the unemployment rate by 0.7 to 1.5 percentage points.

WEB LINK

Click [here](#) for more info

RETIREMENT ISSUES

IRS 401(k) Compliance Check Questionnaire Project. The IRS will survey approximately 1,200 companies that sponsor 401(k) plans to measure compliance. Earlier research by the IRS indicated that 401(k) plans were much more likely to be out of compliance than other retirement plans. Recipients warned: “Failure to complete the questionnaire will result in further enforcement action.”

WEB LINK

Click [here](#) for the full article from the IRS

State Activities

Florida Governor signs “Safeguard our Seniors” Legislation. On June 1, Governor Crist signed the Safeguard our Seniors legislation. The bill includes a provision that will now allow the Insurance Division to use a securities law violation as the basis for taking action against an agent’s insurance license. Prior to this, the Insurance Division had no power to use securities actions as a basis for insurance proceeding. The FPA of FL chapter worked hard to educate the legislature about the problem of insurance agents with securities disciplinary actions, including permanent bans, still being licensed as insurance agents. This change in the law will allow the Insurance Department to take official notice of the securities actions.

WEB LINK

<http://www.miamiherald.com/2010/06/02/1659585/crist-signs-fla-senior-financial.html>

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New Hampshire Adds Fees. Effective July 1, 2010, New Hampshire will charge \$100 for an amended investment advisor's license application.

TAX ISSUES

Tax Amnesty Programs in-Process for PA, NC, TN, IN, AL

RI Delays Tax Refunds. The state has delayed payments to 53,000 individuals to make sure it has enough cash to cover loans that come due in June.

IRS: CA Registered Domestic Partners Can Split Income without Adverse Gift Tax Consequences. "Applying the principle that federal law respects state law property characterizations, the federal tax treatment of community property should apply to California registered domestic partners. Consequently, a California registered domestic partner must report one-half of the community income, whether received in the form of compensation for personal services or income from property, on his or her federal income tax return."

WEB LINK

<http://www.gencourt.state.nh.us/legislation/2010/HB1281.html>

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For updates on other state amnesties click [here](#)

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