FEDERAL ISSUES

Tax Reform and Deficit Reduction

Some people in Washington believe the current tax code is complex, outdated, and in need of reform. At the same time, pressure to reduce the national deficit brings attention to financial planning products as possible sources of new tax revenue.

The current tax treatment of insurance, contributions to retirement savings, and employer-provided benefits encourage people to prepare and plan for the future. Recent tax reform proposals included provisions that would make it more costly to offer products, resulting in millions of American families being uninsured or under-insured. Other proposals have included provisions that would reduce or limit retirement plan contributions.

With 10,000 Americans reaching retirement age every day, it is important that public policy encourages families to save and plan for retirement by protecting the current fair and necessary tax treatment of financial planning products.

Regulating Investment Advice

President Obama has made a high priority a complex new 750 page Department of Labor (DOL) fiduciary rule for advisors who provide retirement plan advice. In a 2015 speech, he said new regulations are needed to protect consumers from advisors who are "bilking hardworking Americans out of their retirement money."

The proposal requires all financial advisors to be a fiduciary if they receive payment for providing retirement planning guidance or advice. There is concern that the rule may create more consumer confusion, will result in less access to advice, and may conflict with existing federal securities laws.

In the midst of fiduciary activity at the DOL, SEC Chair White announced that she supports the SEC moving forward with a uniform standard of care for broker-dealers and investment advisers provided that it not reduce investor access to affordable services. The SEC has oversight and authority over all investments, whereas the DOL has oversight and authority over only those investments held in qualified retirement accounts.

> *"It's important that all members of NAIFA get involved and not take anything for granted. Certainly, I appreciate hearing from NAIFA*
>
> **— Rep. Adrian Smith, (R-Nebraska)**

The scope of the SEC's jurisdiction, together with a Congressional prompt contained in the Dodd-Frank Act, make it the appropriate agency to proceed first with any new rule governing the definition of a fiduciary for investors. As a practical matter, NAIFA is very concerned that two agencies creating conflicting rules will create roadblocks for consumers seeking help. Main Street clients should not be burdened with conflicting rules simply because the DOL has one mandate, and the SEC has another. Instead, regulators should work in a coordinated and consistent way so that Main Street families can get the help they need from a professional they can afford.

Targeted ACA Revisions

Congress is evaluating modifications to the Patient Protection and Affordable Care Act (ACA) to ensure its implementation expands access to affordable health services in a sustainable, competitive insurance market without jeopardizing the high quality of care and service expected by consumers.

NAIFA supports bipartisan efforts to improve affordability and sustainability of private insurance choices, and to ensure that consumers have access to professional services provided by licensed and regulated insurance advisors. NAIFA supports targeted revisions to the law including:

- Defining a full-time employee as someone working 40 hours per week
- Removing advisor compensation from the medical loss ratio (MLR) calculation
- Reversing the 3.8 percent tax on unearned income (including annuities)
- Expanding the 3:1 age rating restriction
- Raising or removing the flexible spending account (FSA) contribution cap
- Eliminating the 40% excise tax (AKA Cadillac tax)
- Creating purchase incentives
- Building on the employer-based system
- Reducing consumer costs
- Allowing greater access to premium subsidies

STATE ISSUES

State-Sponsored Retirement Plans

More than 20 states have introduced legislation that would establish state-sponsored retirement plans, and NAIFA is a key player that has successfully defeated these proposals in many states. We believe that state plans that compete with private market solutions are not the answer, since the private market already offers diverse, affordable options for employers of all sizes. NAIFA argues that consumers would be better served if the states used their limited resources to educate their citizens about the importance of saving for retirement rather than implementing costly state-run plans.

Taxation of Life Insurance

States look to insurance products and services as a possible source of budget-balancing revenue.

The State Tax Challenges Coalition established by NAIFA and the American Council of Life Insurers (ACLI) continues to monitor state legislation to identify and proactively address proposals that would adversely impact the taxation of our industry's products and services.

Health Exchanges

The Department of Health and Human Services (HHS) final rule regarding the establishment of state health exchanges acknowledges the significant role health insurance agents will play in the exchanges, permits exchanges to display information about the valuable role of agents on their websites and in other public materials, and allows agents to serve on exchange boards.

ACA Co-Ops

The ACA-authorized Consumer Operated and Oriented Plans have encountered significant financial challenges that threaten their economic viability. The Iowa Co-Op is now in bankruptcy and Iowa insurance regulators have reduced costs by suspending commission payments to agents. NAIFA has actively lobbied regulators to reverse this decision and is urging members to use all due diligence before enrolling a client in a Co-Op policy.

Regulating Investment Advice

In addition to the federal activity at the SEC and DOL, states are showing interest in the fiduciary standard issue. A California state senator considered introducing a bill that would impose a fiduciary duty on broker-dealers. The New York City comptroller is also seeking legislation that would require broker-dealers and their reps to disclose that they are not fiduciaries and are not required to act in their clients' best interests. NAIFA supports appropriate disclosures, but our primary concerns continue to be the ability of mid-market consumers to access products, advice and service and making sure that disclosures are fair and balanced.

IFAPAC AND APIC

NAIFA's legislative successes depend on the quantitative and qualitative actions of individual NAIFA members. Whether it's attending town hall gatherings, organizing district meetings, hosting fundraisers, financially contributing to IFAPAC or serving as advocacy leaders, NAIFA members keep lawmakers educated and accountable.

NAIFA's political force is the largest and most effective in the industry. Our federal political action committee – NAIFAPAC – is the largest association PAC in the insurance industry and one of the leading PACs across all industries. NAIFA members are voters, taxpayers and job creators in every congressional district in our nation. NAIFA numbers are powerful on Capitol Hill and in all 50 state capitals. And NAIFA's key contacts get in front of lawmakers very quickly when it counts.

> *"Being involved politically is a source of energy that brings excitement to my practice.*
>
> **— Rodger K. Johnson, CLU,ChFC, MSFS**
> **Tyler, TX**

- For full details on the issues above and more as they come, go to www.NAIFA.org/Advocacy
- Only NAIFA has the reach to make your voice heard on every issue at the Federal and State levels.
- Join or renew at www.NAIFA.org and refer your colleagues to protect your business and the rights of your clients.