

CONGRESS MOVES FORWARD ON HEALTH CARE REFORM

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Since taking office in January, President Obama has made health care reform one of his top priorities. Obama is committed to passing comprehensive reform this year and has asked Congress to send him a massive overhaul of the health care system by October. Recently, the House and Senate committees with jurisdiction over health care announced their plans and scheduled hearings to discuss the legislation.

The Senate Health, Education, Labor and Pensions Committee issued the "Affordable Health Choices Act" on June 9, 2009. The Senate Finance Committee, which also has jurisdiction over health care, has not released a draft proposal at this time, although it has held several hearings to discuss health care delivery system reform, coverage and financing options. Both committees agree on the need to promote disease prevention and quality of care.

Additionally, the Senate proposals would set up an "insurance exchange" in which individuals and small businesses could shop for medical plans and compare benefits and prices. In general, these proposals have bipartisan support. However, Democrats support the creation of a new government-run insurance plan. Republicans oppose a public plan, saying that it would drive private insurers out of business and lead to a government-run health care system.

Meanwhile, three House committees are working together on health care reform legislation. The House Ways and Means, Energy and Commerce, and Education and Labor committees issued their discussion draft for health care reform on June 23, 2009. The proposal

calls for mandatory universal coverage for individuals and businesses. Under the plan, coverage would be guaranteed regardless of medical history. Like the Senate version, the House bill also includes a new public plan that is opposed by Republicans. The "Blue Dog" conservative Democrats also oppose a public plan; however, they do support including a "trigger" that would make a public option available only as a fallback and in the absence of adequate competition and cost containment. The committees have begun holding legislative hearings on the health care reform discussion draft.

In addition, the Small Business Health Options Program (SHOP) legislation has been introduced to address the number one problem for many small businesses and self-employed individuals: the high cost of providing health care coverage. H.R. 2360 by Representatives Ron Kind (D-Wis.) and Jim Gerlach (R-Penn.) and S. 979 by Senators Dick Durbin (D-Ill.), Olympia Snowe (R-Maine) and Blanche Lincoln (D-Ark.) would make health insurance more available and affordable by:

- Allowing small businesses and the self-employed to band together across state lines and spread the risk over a large number of participants in order to obtain lower premiums.
- Providing tax credits for small business owners and the self-employed to offset contributions to employee premiums.
- Banning health status ratings in order to protect small businesses and the self-employed from large rate increases simply because one employee gets sick.



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HOUSE PASSES ENERGY BILL

The U.S. House of Representatives approved H.R. 2454, the American Clean Energy and Security Act by Reps. Waxman (D-Calif.) and Markey (D-Mass.). The bill, re-numbered H.R. 2998, includes provisions that exempt existing buildings from the bill's provisions to build upon an existing ENERGY STAR energy labeling program. As originally drafted, the bill required energy audits for all buildings and homes, and required that these buildings be labeled, with the energy rating label to be disclosed at the time of lease and/or sale. The bill also allowed any citizen to bring a private right of action against any entity that contributes to global warming.

Thanks to the lobbying work of IREM and CCIM members at the Legislative Summit in April this year, working in partnership with NAR®, the bill that passed the House is much different than the original proposal. This bill does not require audits—except for buildings voluntarily participating in an energy-efficient program; limits labeling to new construction only; removes the private right of action; and prohibits the EPA from implementing a greenhouse gas emissions regulation that would regulate greenhouse gas emissions from commercial and multifamily properties. In addition, the bill provides property owners with significant financial incentives, matching grants and tools to make property improvements and reduce their energy bills.

IREM and NAR will continue to work on this legislation as it moves through the Senate to ensure the real estate provisions remain favorable to our industry.



Paying for Health Care Reform May Impact Property Owners

As Congress proceeds with the sweeping overhaul of the health care system, they must also face the challenge of how to pay for reform. NAR recently reported on one option that would affect the so-called casual investor in real estate. The Senate Finance Committee released a discussion draft paper that lays out a series of options to pay for health care reforms, including an option to require information reporting to the IRS of any payment of \$600 or more made by any rental property owner to service providers—plumbers, bookkeepers, etc. The reporting is intended to provide the IRS with more extensive data for auditing both owners and service providers. Similar rules that apply to “full-time” property owners have been in place for at least 20 years. Currently, this option is only a point of discussion, rather than a formal proposal.

MANY STATES FACING MAJOR BUDGET SHORTFALLS

Rising unemployment, dropping income tax revenue, the ongoing foreclosure debacle and a deep crisis in consumer spending leave states facing the worst financial crisis in more than 50 years. According to the National Council on State Legislatures, states are facing an estimated budget gap of \$121 billion for fiscal year (FY) 2010. Meanwhile, the National

Governors' Association reports that states will face a cumulative shortfall of \$230 billion through FY 2011. The same report estimates that FY 2009 tax collections of sales, personal income and corporate income are 6.1 percent lower than FY 2008 collections. Additionally, FY 2009 revenues are below expectations in 38 states, are on target in 10 states and are exceeding expectations in

only 2 states. The size of the budget cuts and gaps would likely have been much larger without the passage of the American Recovery and Reinvestment Act (ARRA). *The Wall Street Journal* reports that about \$246 billion of the stimulus funds are already going to the states to support Medicaid, education and transportation programs.