

**Health Care Keeps Going** – The Senate was into a third week of debate on the Patient Protection & Affordable Care Act with questions continuing about the ultimate form and fate of the bill. The Senate has debated a number of amendments, accepted some and rejected others.

As December wore on, the Democratic leadership would say they were making progress only to have one or two Democrats find objections. As Christmas approached, it seemed that the Senate made daily changes to the bill to meet objections in the hope of getting a bill – any bill – passed.

**Estate Tax Still in Question** – The House passed the Permanent Estate Tax Relief for Families, Farmers & Small Businesses Act which would make the current \$3.5 million exemption and 45% tax rate permanent. It would not index the exemption for inflation. However, the Senate seemed unable to pass a bill of its own and unwilling to accept the House bill.

At this writing, it was questionable what Congress would do about the estate tax – permanently or temporarily extend it – and how – as a stand alone bill or as an attachment to a must-pass bill. Without action, the estate tax will be repealed in 2010 and return in 2011 with a \$1 million exemption and 55% tax rate.

**Expiring Tax Provisions** – Several dozen tax provisions will expire at the end of the year. Most of them expire every year and are extended every year. The rest are new relief measures enacted in the American Recovery & Reinvestment Act. Typically, Congress waits until the last minute and then extends them as a package.

The House passed the Tax Extenders Act containing about 40 of the expiring provisions, including the research and development tax credit, 15-year depreciation for leasehold and retail improvements, the deduction for state sales and property taxes and the deduction for classroom supplies. Again, the fate of these extensions lies in the Senate, which is talking about delaying action until January and then making the extensions retroactive.

**Appropriations Bills** – Congress was approaching the end of the 2010 appropriations process. As of mid-December, President Obama had signed five of the 12 bills into law and an omnibus bill combining six more was on the way to his desk. That left one – for the Department of Defense – to be finished up.

The House was working on it and, as usual at the end of

the year, it had become a “Christmas tree” bill with all kinds of legislation being “hung on” it. Among the possibilities: a temporary extension of current estate tax levels, an extension of emergency unemployment benefits, lengthened COBRA coverage for workers who lose their jobs, expanded food stamp provisions, tax provisions aimed at creating jobs and an increase in the federal debt limit.

**Financial Protection for Consumers** – The House passed the Wall Street Reform & Consumer Protection Act, a massive piece of legislation designed to reform financial regulation. It includes a new Consumer Financial Protection Agency (CFPA) to establish and enforce rules for consumer financial products.

Most retailers would be exempt from CFPA jurisdiction as long as they do not directly offer financial products or act as or own financial institutions. Gift cards would be covered, but CFPA’s ability to impose funding assessments on issuers of retail gift cards would be limited.

**Next Year’s Mileage Rates** – The Internal Revenue Service (IRS) announced standard mileage rates for 2010: 50 cents a mile for business miles, 16.5 cents for medical or moving purposes and 14 cents for service to charitable organizations.

Business and medical/moving rates are set by the IRS and will be lower next year primarily because the cost per gallon of gasoline has gone down. The rate for charitable service is set by Congress.

**A “War Tax” for Afghanistan?** – Hovering above everything Congress and the administration want to do is money – the federal deficit, economic recovery, national defense and the Obama/Democratic domestic agenda. The 30,000 additional troops that Obama is sending to Afghanistan are estimated to cost at least \$30 billion. Where will the money come from? Rep. David Obey (D-WI) proposed a “war tax” in the form of an income surtax.

Several Democrats think that’s not a bad idea. Republicans generally oppose it. House majority leader Steny Hoyer (D-MD) said he opposed Obey’s surtax “at this time.” Senate majority leader Harry Reid (D-NV) wanted to wait and see what Obama proposes. The White House apparently has no position yet on funding.

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