

Congress of the United States
Washington, DC 20515

October 21, 2009

HELP EMPLOYEES/RETIREES ACCESS LEGAL SERVICES

Dear Colleague:

We write to urge you to co-sponsor HR 1423, the Legal Services Benefit Act of 2009 (HR 1423) to restore and make permanent the employee tax exclusion of qualified group legal services plans (HR 1840, 110th). This legislation is of particular importance to employers and working families throughout the country. Many of you have co-sponsored this legislation in the past and we hope you will do so once again.

The bill would restore a provision, originally enacted in 1976 and extended on seven separate occasions between 1981 and 1991, until it sunsetted. This bill passed the House in the 110th Congress as part of a larger package but failed to pass the Senate. (H.R. 6049 Renewable Energy and Job Creation Act of 2008)

This tax treatment allows employers to offer and preserve preventive legal services benefits for employees and their families. For an average annual employer contribution of less than \$150, employees are able to utilize a wide range of basic legal services, including wills and trusts, powers of attorney, living wills/ medical directives, probate, guardianship and conservatorship issues, real estate and consumer related problems.

This bill would also once again eliminate the 7.65 % payroll tax on the benefit. Many employers, private and public, including the City of New York, Boston schools, Ford Motor Company, City of Philadelphia, Verizon, Detroit Diesel Corporation, John Deere, Caterpillar, Navistar to name a few, added this benefit while it was tax deductible but are now subject to this tax. In addition, employees and retirees pay income tax on the employer's contribution, whether or not they have used the benefit in that tax year.

With evictions and mortgage foreclosures rising, legal plans help keep employees, owners and renters alike, in their homes and focused on their jobs. Many more consumers now need assistance with loan modifications and foreclosure prevention. Plan attorneys address the complex foreclosure process by working with the lender on a loan modification. For example, a plan attorney negotiated a lower interest payment, which made it possible for the client to save enough money to pay his back taxes. In another situation, a plan attorney renegotiated a client's adjustable-rate mortgage to a lower fixed-rate mortgage, reducing her rising monthly payments by enough to avert foreclosure and homelessness for her family.