



Congressional Update

June 1, 2006

Death Tax Vote Expected in June; Senate Small Business Health Plan Legislation Blocked; Immigration Reform; LIFO Repeal and more

With very competitive elections looming in the fall, members of Congress are looking for some key legislative achievements to energize the electorate in their favor before leaving Washington to focus on campaigning. Congress is out on recess from May 29 to June 2. Senate Majority Leader Bill Frist (R-TN) has indicated that a vote on repealing the death tax will be held in June. Immigration reform legislation has been resurrected and is engendering a passionate national debate while health care legislation flounders and bogs down in the Senate. While Senator Frist has withdrawn his proposal to repeal the LIFO method of accounting, the Chairman of the Senate Finance Committee Charles Grassley (R-IA) has pledged to hold hearings on it this year. N.G.A.'s continued efforts on Capitol Hill are helping to increase Congressional awareness of the inequitable system of credit and debit card interchange fees. The Senate push for national uniform food safety legislation is underway with the hope of having a vote held later this year.

With Congress set to consider a number of important issues in June, it is critical that you attend the Washington Public Policy Conference June 12-14 hosted by N.G.A., FMI and FIAE. The Washington Public Policy Conference provides retailers, wholesalers and state associations a great opportunity to meet with their members of Congress and lobby on issues of key importance to the industry, such as death tax repeal, credit card interchange fees, health care and uniform food safety legislation.

TIER ONE -- ACTION ISSUES

These are issues of the highest priority—ones in which N.G.A. takes a leadership role—and in which member grassroots action is essential.

Death Tax Vote Scheduled for June

Immigration Debate Pushes Up Vote

After being pulled from the Senate floor schedule in 2005 to make way for hurricane related legislation providing for tens of billions of dollars of emergency appropriations, a vote on legislation to permanently repeal the death tax (H.R. 8) will likely occur in June. The contentious debate on immigration in the Senate has postponed the vote from May. **The vote is likely to occur around the time of the Washington Public Policy Conference sponsored by N.G.A., FMI and FIAE from June 12-14 making your attendance critical.** Please plan on participating. Senator Jon Kyl (R-AZ) and Senator Bill Nelson (D-FL) have taken the lead in the chamber in advocating permanent repeal.

Senator Kyl has stated that there is insufficient support to garner the 60 votes necessary to cut off debate on legislation permanently repealing the death tax. Large federal budget deficits have unfairly hurt efforts to achieve permanent repeal. Additionally, Congress placed a greater priority on extending investment tax cuts capital gains, dividends and AMT relief. That tax package (H.R. 4297) cost \$70 billion and was signed into law by President Bush on May 17. **This priority is misguided. One reason the tax cuts of the Bush administration have produced lackluster job growth is that the cuts have gone mainly to passive investors, rather than businesses. Investors do not hire a single employee, manufacture or deliver a single product or offer a single service; businesses do. Between 175,000 and 250,000 potential jobs are lost each year as a result of the death tax.**

If the Senate fails to achieve 60 votes to proceed to H.R. 8, a vote on a compromise will be offered which would leave the death tax in place but raise the exemption amount and lower the rate. The compromise proposal being discussed would raise the exemption amount to \$5-\$10 million and lower the top rate to 15%. Permanent repeal is the best solution. As long as the death tax is on the books, uncertainty and planning costs will remain as future congresses may raise the rates or lower the exemption to increase revenues. However if permanent repeal is unattainable, N.G.A. will fight for the lowest rate and highest exemption amount feasible.

N.G.A. continues to advocate for permanent repeal of the death tax for family owned businesses in 2006. Grassroots efforts will be essential to securing victory. During the weeks leading up to the vote, N.G.A. will be sending Action Alerts and organizing retailers and wholesalers to inform you where your senators stand and to ask you to contact them directly to get their commitment for supporting permanent repeal. With the vote scheduled in June, it is important to begin to speak with your senators. All Senate offices may be reached through (202) 224-3121.

The following table contains a list of the **most critical senators to contact** as they are likely to hold the votes that will determine whether the death tax is repealed. It is therefore imperative that you **urge all senators listed on the following table to vote for repeal:**

<i>Republicans</i>	<i>Democrats</i>	
Chafee (RI)	Baucus (MT)	Lieberman (CT)
Collins (ME)	Bayh (IN)	Lincoln (AR)
DeWine (OH)	Cantwell (WA)	Murray (WA)
McCain (AZ)	Carper (DE)	Nelson (NE)
Snowe (ME)	Feinstein (CA)	Pryor (AR)
Voinovich (OH)	Johnson (SD)	Salazar (CO)
Warner (VA)	Landrieu (LA)	

For additional information or talking points please contact elieberman@nationalgrocers.org or visit www.nationalgrocers.org and click on Death Tax.

Interchange Efforts Continue on Hill

N.G.A. Meets with Key Staff of Congressional Committees to Bring Attention to Rising Fees and Inequities

In the past several months N.G.A. as part of the Merchants Payments Coalition has been meeting with the staff of key committees with jurisdiction over interchange fees in the House and Senate to eliminate the devastating impacts the ever escalating fees are having on the grocery industry by securing lower fees and ending the discrimination against second and third tier companies.

N.G.A. continues to work on its multi-pronged approach to reducing interchange fees—including litigation, legislative, regulatory and business solutions. N.G.A. sees a growing need for federal government agencies and legislators to regulate and oversee debit and credit card interchange fees and the lack of a competitive market in order to provide for a cost based interchange system as a means to reduce fees and eliminate discrimination. N.G.A. is a leading member of the Merchants Payments Coalition—a broad based coalition of retailers dedicated to reducing interchange fees.

Small Business Health Care Legislation Defeated in Senate

Legislation Bugged Down During GOP “Health Week”

By a vote of 55 to 43, the Senate failed to cut off debate and proceed to S. 1955, the Health Insurance Marketplace Modernization and Affordability Act of 2006. The legislation would have allowed businesses to pool together in “Small Business Health Plans” to purchase health insurance and aggregate their negotiating power. The legislation was not a total solution to the health care challenges facing businesses; however, it represented a first step in the right direction. The bill would have allowed insurers to offer plans across state lines, creating bigger insurance pools and bypassing many state regulations that apply to existing plans. **N.G.A. supported the legislation as the bill would lower costs and increase the number of insured workers.** Opponents of the proposal contended that allowing insurance companies to bypass many state mandates would result in plans that do not cover important services required by state regulations. Similar legislation has passed the House six times since 1997. S. 1995 capped off the GOP’s Senate “Health Week” which began with two failed votes on bills limiting medical malpractice awards.

N.G.A. supports legislation allowing businesses to pool together to reduce health care costs. As Congress fails to act to stem the double digit increases of health care costs retailers and wholesalers face year after year, states are taking action on their own. For more information on state health care legislation please contact N.G.A. Director of Government Affairs, Greg Ferrara at (703) 516-0700 or gfererra@nationalgrocers.org.

Momentum For Uniform Food Safety Legislation in Senate

Strong Bipartisan Support in House Increases Chances of Senate Action

N.G.A. along with others in the grocery industry as part of the National Uniformity for Food Coalition, were successful in having the House of Representatives pass the “National Uniformity for Food Act of 2005” (H.R. 4167) by a margin of 283-139. The legislation has been sent to the Senate with broad bipartisan support. N.G.A. is now encouraging the Senate to take action and pass this important legislation. **A vote on Senate National Uniformity legislation may occur**

this summer, making your participation in the Washington Public Policy Conference from June 12-14 very important. H.R. 4167 amends the Federal Food, Drug and Cosmetic Act in the areas of food safety tolerance setting and warning labeling. H.R. 4167 will give the public a single set of consistent food safety regulations based on sound FDA science and will enhance the efficiencies in America's food distribution system that allow the grocery industry to continue to provide consumers with some of the safest and most affordable food in the world.

Under the current food safety system in the United States, states may impose differing and sometimes contradictory, regulations. This system poses significant hardships for the entire grocery industry from manufacturers to wholesalers and retailers. Wholesalers that distribute to multiple states may find themselves having to segregate products according to differing state requirements. Multi-state retailers and grocery manufacturers face hardships as they may be required to label identical products differently according to state requirements—a tremendous burden. H.R. 4167 will provide relief from this burden while enhancing food safety by strengthening the federal-state partnership on such matters.

The legislation contains key protections for state laws and will not impact state authority on food enforcement matters such as freshness dating, grade labeling, state inspection stamps and recalls.

N.G.A. supports uniform, national food safety and warning standards which will improve upon the current system permitting a patchwork of state laws which unnecessarily confuses consumers and poses hardships for the food industry.

LIFO Repeal Stripped From Republican Gas Plan

GOP Decides Against LIFO Repeal Proposal that Would Have Funded a Gas Tax Rebate Plan; Hearings to Be Held

Senate Majority Leader Bill Frist announced May 1 that a provision to repeal the last-in, first-out (LIFO) accounting method for all types of businesses would be withdrawn from a proposal to give consumers a rebate against high gas prices days after the proposal was unveiled.

LIFO repeal was the central revenue raiser to the Gas Tax Holiday Rebate plan which would have sent \$100 to taxpayers.

Frist said the proposal was dropped under consultation with Senate Finance Committee Chairman Charles Grassley. The Senate Finance Committee will likely be holding hearings on the matter this year.

The business community has been staunchly opposed to the measure, which would have resulted in a significant tax increase on manufacturers, retailers and wholesalers. LIFO is a method of accounting for inventory that ties the cost of goods sold to the cost of the most recent purchases. In contrast to the first-in, first-out method (FIFO), in a period of rising prices; LIFO produces a higher cost of goods sold and a lower gross profit and taxable income. Under current law, businesses may elect to use the LIFO method of inventory accounting in calculating federal income taxes due.

N.G.A. opposes efforts to repeal the LIFO method of accounting which is critically important for retail and wholesale grocers.

TIER TWO – IMPORTANT BUSINESS ISSUES

Important to grocery industry and business in general. N.G.A. lobbies directly and in coordination with coalitions. May require member grassroots action.

Immigration Reform Prompts Concerns Among Business Community *National Verification System Could Create Human Resources Headaches; Businesses, Unions and ACLU Voice Opposition*

A diverse group of advocacy organizations ranging from the U.S. Chamber of Commerce and American Meat Institute to the American Civil Liberties Union and United Food and Commercial Workers have objected to proposals being discussed in immigration legislation that would require all U.S. employers to use an electronic verification system to confirm the employment eligibility of all newly hired workers.

The proposals being discussed in Congress call for the expansion of the Employment Eligibility Verification System. Under the expanded program, every employer in the United States would be required to run the Social Security number of every new employee through a Department of Homeland Security database. Legislation that passed the House (H.R. 4437) would require previous hires (e.g. all current employees) to be checked as well.

In September 2005, the Government Accountability Office issued a report in which the agency said that “ongoing weaknesses” in the process of verifying new workers continue to linger in the EEVS and that “few substantial enhancements have been applied to the process.” GAO cited delays in the entering of employment eligibility information by DHS in the database as a major weakness in the system.

N.G.A. shares the concerns of the U.S. Chamber of Commerce and others that the expanded EEVS could create major delays in the hiring process and potentially deny large numbers of eligible workers employment opportunities. N.G.A. feels the current I-9 system is adequate.

Please contact N.G.A.’s Director of Government Affairs, Erik Lieberman at (703) 516-0700 or elieberman@nationalgrocers.org for more information or materials on any of the issues discussed in this update.