

## ALEC EXPOSED

"ALEC" has long been a secretive collaboration between Big Business and "conservative" politicians. Behind closed doors, they ghostwrite "model" bills to be introduced in state capitols across the country. This agenda-underwritten by global corporations—includes major tax loopholes for big industries and the super rich, proposals to offshore U.S. jobs and gut minimum wage, and efforts to weaken public health, safety, and environmental protections. Although many of these bills have become law, until now, their origin has been largely unknown. With **ALEC EXPOSED**, the Center for Media and Democracy hopes more Americans will study the bills to understand the depth and breadth of how big corporations are changing the legal rules and undermining democracy across the nation.

## ALEC's Corporate Board —in recent past or present

- AT&T Services, Inc.
- centerpoint360
- UPS
- Bayer Corporation
- GlaxoSmithKline
- Energy Future Holdings
- Johnson & Johnson
- Coca-Cola Company
- PhRMA
- Kraft Foods, Inc.
- Coca-Cola Co.
- Pfizer Inc.
- Reed Elsevier, Inc.
- DIAGEO
- Peabody Energy
- Intuit, Inc.
- Koch Industries, Inc.
- ExxonMobil
- Verizon
- Reynolds American Inc.
- Wal-Mart Stores, Inc.
- Salt River Project
- Altria Client Services, Inc.
- American Bail Coalition
- State Farm Insurance

For more on these corporations, search at [www.SourceWatch.org](http://www.SourceWatch.org).

**DID YOU KNOW?** Corporations VOTED to adopt this. Through ALEC, global companies work as "equals" in "unison" with politicians to write laws to govern your life. Big Business has "a VOICE and a VOTE," according to newly exposed documents. **DO YOU?**

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### Health Care Sharing Ministries Tax Parity Act

Did you know that global pharmaceutical company Bayer Healthcare was the corporate co-chair in 2011?

#### Findings and Purpose

Members of health care sharing ministries financially assist fellow members with large medical expenses with a result usually provided by health insurance. Due to their positive contribution to our health care system, moneys spent and received for assistance by members of health care sharing ministries should have at least the same advantages under the income tax code as do health insurance premiums and reimbursements.

A health care sharing ministry (HCSM) is a health care cost sharing arrangement among persons of similar and sincerely held beliefs, administered by a not-for-profit religious organization. Those sharing through HCSMs are called members, and the money sent by members to other members to help pay for their medical expenses is called a share. The sharing is accomplished through members' monthly gifts directed to families in financial distress and not to an insurance reserve fund. In addition to addressing the financial needs of those facing health challenges, HCSMs also seek to help meet spiritual and emotional needs as of part the sense of community that exists among members.

HCSMs represent over 100,000 members in all fifty states. HCSMs share over 60 million dollars per year for health care costs.

Since 1981, formalized HCSMs have played a vital role in assisting tens of thousands of individuals emotionally, spiritually, and financially through medical crises and the accompanying expenses.

Under the federal Internal Revenue Code, employers who purchase health insurance for their employees may deduct the cost as a business expense, while at the same time it is a nontaxable fringe benefit to the employee. The self-employed and employees who purchase their own health insurance may, in most circumstances, also deduct that cost on their income tax returns. Also, health insurance reimbursements for medical expenses are not considered taxable income.

Like health insurance policy holders, members of HCSMs make payments that go toward assisting fellow members with medical expenses. However, due to the fact that HCSMs are not insurance companies and are not well known, the federal and state tax codes do not explicitly address their status. The deductibility of HCSM payments is unclear, and the non-taxability of the gifts received from HCSM members to help those with large expenses is not as clear as it should be.

In 2007, Missouri became the first state to amend its income tax code to allow a full personal deduction of HCSM expenses. (See Section 143.11&1 RSM.) This legislation is designed so that HCSMs are given at least equal treatment with health insurance. This includes personal and business deductibility for HCSM payments; tax-free fringe benefit for employer provided HCSM memberships; and non-taxability of gifts received from HCSM members to assist with medical expenses.

#### Model Legislation

**Section 1. {Short Title}** This Act shall be known as the "Health Care Sharing Ministries Tax Parity Act."

**Section 2. {Definitions}** As used in this Act, the following definition applies:

A. "Health care sharing ministry" means a health care cost sharing arrangement among persons of the same religion based on their sincerely held religious beliefs, administered by a not-for-profit religious organization.

(Drafting Note: The following language may be used as an alternate Paragraph A.)

A. "Health care sharing ministry" means a faith-based, non-profit organization that is tax-exempt under the Internal Revenue Code which:

1. Limits its membership to those who are of a similar faith;
2. Acts as an organizational clearinghouse for information about members/subscribers who have financial, physical or medical needs, matching them with members/subscribers with the present ability to assist those with financial or medical needs, all in accordance with the organization's criteria;
3. Provides for the financial or medical needs of a member/subscriber through payments directly from one member/subscriber to another. The requirements of this Subsection

can be satisfied by a trust established solely for the benefit of members/subscribers, which is audited annually by an independent auditing firm;

4. Provides amounts that members/subscribers may contribute with no assumption of risk or promise to pay among the members/subscribers and no assumption of the risk or promise to pay by such organization to the members/subscribers;

5. Provides a written monthly statement to all members/subscribers, listing the total dollar amount of qualified needs submitted to such organization, members/subscribers for their contribution; and

6. Provides in substance the following written disclaimer on or accompanying all promotional documents distributed by or on behalf of the organization, including applications, and guideline materials:

"Notice: This publication is not an insurance company nor is it offered through an insurance company. Whether anyone chooses to assist you with your medical bills will be totally voluntary, as no other subscriber or member will be compelled by law to contribute toward your medical bills. As such, this publication should never be considered to be insurance. Whether you receive any payments for medical expenses and whether or not this publication continues to operate, you are always personally responsible for the payment of your own medical bills."

**Section 3. {Income Tax Deductions and Credits}** Whenever in this [insert code, title, chapter, or appropriate description that describes the state's regulation of health insurance statutes] a deduction or credit is allowed for expenditures for "medical care" or health insurance premiums, expenditures by a taxpayer as a member, or the employer of a member, of a health care sharing ministry (and such expenditures by a member of a health care sharing ministry's employer with respect to deductions or credits allowed employers) shall qualify for said deduction or credit.

#### **Section 4. {Determining Adjusted Gross Income}**

A. For purposes of determining an individual's state adjusted gross income for a taxable year, the individual's federal adjusted gross income for that taxable year shall have subtracted from it any amounts included therein due to:

1. Amounts the individual received as a member of a health care sharing ministry; and
2. Amounts the individual's employer paid on behalf of the individual as part of the individual's membership in a health care sharing ministry.

*(Drafting Note: The above language is drafted for those states whose state income tax derives a person's state taxable income from the person's federal adjusted gross income. The following language may be used as an alternate Paragraph A for those states whose income tax is calculated independent from the federal income tax.)*

A. The following shall be excluded from income for purposes of determining an individual's adjusted gross income for a taxable year:

1. Amounts the individual received as a member of health care sharing ministry; and
2. Amounts the individual's employer paid on behalf of the individual as part of the individual's membership in a health care sharing ministry.

#### **Section 5. {Severability Clause}**

#### **Section 6. {Repealer Clause}**

#### **Section 7. {Effective Date}**

Were your laws repealed?

*Adopted by the Health and Human Services Task Force at the Spring Task Force Summit on May 17, 2008. Approved by the ALEC Board of Directors June 2008.*

**About Us and ALEC EXPOSED.** The Center for Media and Democracy reports on corporate spin and government propaganda. We are located in Madison, Wisconsin, and publish [www.PRWatch.org](http://www.PRWatch.org), [www.SourceWatch.org](http://www.SourceWatch.org), and now [www.ALECExposed.org](http://www.ALECExposed.org). For more information contact: [editor@prwatch.org](mailto:editor@prwatch.org) or 608-260-9713.