



The Washington Report

The Newsletter of the National Association of Police Organizations
Representing America's Finest

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NAPO on the Hill: House and Senate Work Out Differences Between Their Tax Bills

The House and Senate have begun negotiations over the differences between their two versions of the Tax Cuts and Jobs Act (H.R. 1) with the hopes of sending it to the President to be signed into law before Christmas. Both the House and Senate bills partially eliminate the state and local tax (SALT) deduction. It caps the state and local property tax deduction at \$10,000 and completely repeals the deduction for state and local income and sales taxes. The capping and elimination of the majority of the SALT deductions would equate to a large tax increase on the citizens of states with high state and local taxes, such as New York, New Jersey, California and Illinois.

A recent analysis released by Americans Against Double Taxation found the plan would result in tax increases as high as \$6,300, or more than \$63,000 over 10 years, for many suburban homeowners, including both single filers and families, due in large part to the cuts to the SALT deduction. These are the middle-class taxpayers that this tax reform legislation is supposed to help. Instead, if SALT is partially or fully repealed, many middle-class Americans could find themselves on the wrong end of a tax hike.

Not only will the partial elimination of the SALT deduction lead to tax increases for many Americans, including our nation's law enforcement officers, it also threatens essential services provided by state and local governments, such as public safety. Law enforcement officers, fire fighters and other public safety-focused public servants are supported by the communities they serve largely through state and local property, sales, and income taxes – essential investments that give our first responders the tools they need to get the job done. The SALT deduction helps support these vital investments at the state and local levels.

House Majority Leader Kevin McCarthy (R-CA) is working on a possible SALT compromise for the conference committee to consider in order to placate Republicans from high tax states such as California, New York and New Jersey whose constituents will be hit the hardest from the partial elimination of the SALT deduction. He is considering a partial revival of the state and local income tax deduction in that taxpayers could choose either to deduct up to a certain amount of their state and local income taxes *or* deduct their property taxes up to \$10,000. Many of the Republicans who voted no stated they would support allowing both deductions, even if capped, but were against making it an “either or” situation. NAPPO will update our members on the status of this possible compromise provision.

In addition to the partial elimination of the SALT deduction, NAPPO has joined its partners in the Public Pension Network – public pension practitioners and retirement systems, public sector labor organizations, and state and local government representatives – in opposing the application of the unrelated business income tax (UBIT) to

public pension plans. The House bill includes a provision which would subject certain investments of state and local governmental pension plans to the UBIT, while the Senate does not include any such provision. NAPO sent [a letter](#) to Senate and House conferees opposing the application of UBIT to public plans.

House Ways and Means Committee staff believe this is just a clarification of current law and that the UBIT was always supposed to be applied to public pension plans, like it is to churches, non-profits, state colleges and universities and other tax-exempt entities. However, Congress did not apply the UBIT to public pensions when the tax was created in 1950, nor when it amended the tax in 1969. The IRS in 1977 stated that it would not apply UBIT to public pension plans and that has been the policy since then. There is absolutely no evidence that it was the intent of Congress to subject state and local governmental pension plans to the UBIT.

State agencies are Constitutionally exempt from taxation and the application of the UBIT to government sponsored retirement plans erodes the immunity states and the federal government each enjoy for taxation by the other. If the House UBIT provision is adopted by the conference committee, it will seriously diminish overall investment returns which are used to pay benefits to the hard-working first responders who dedicated their lives to protecting our nation's communities.

Investment earnings pay for approximately two-thirds of state and local government pension benefits, which are taxed when distributed to participants across virtually every state, city, and town in the United States. Subjecting public plans to UBIT will not only result in diminished investment returns, but it will also set a dangerous precedent for taxation of state entities, and will ultimately increase costs to taxpayers as states and localities must make up for the funding shortfalls caused by the tax.

As Senate and House conferees continue their negotiations, NAPO will lobby against subjecting public pension plans to the UBIT and the elimination of the SALT deduction. We will keep our members up to date on the status of these provisions and Tax Cuts and Jobs Act.

If you have any questions, please contact Andy Edmiston at aedmiston@napo.org.

Congress Passes 2-Week Spending Bill, Avoiding a Government Shutdown

With the federal government set to run out of money on December 8th, Congress passed a last minute continuing resolution – a spending measure that funds the government at current levels – that will go until December 22, giving the White House and Congressional leadership enough time to hammer out a deal on the pressing funding issues that must be passed by the end of the year. Republican and Democratic leaders must come to an agreement on an increase in defense and non-defense spending caps to avoid across-the-board cuts to all government programs and agencies. Lawmakers are expected to include the negotiated Fiscal 2018 spending levels as well as emergency disaster aid to provide relief for areas affected by Hurricanes Harvey and Irma and the wildfires on the West Coast, in another continuing resolution that will run through January 2018.

Republican leadership is hoping to pass the final version of the Tax Cuts and Jobs Act before they tackle finalizing the second continuing resolution to fund the government into January. They have the goal of passing tax reform by December 18 or 19, giving them only a few days to agree to another continuing resolution and avoid a federal government shutdown right before Christmas.

Funding the federal government, its departments, agencies and programs, for the last nine months of fiscal 2018 will most likely be done in an omnibus appropriations bill, which will combine all eleven spending measures and

other must-pass legislation, such as a debt ceiling increase and a possible fix for Deferred Action for Childhood Arrivals (DACA), or “Dreamers”.

NAPO continues to work with House and Senate appropriations staff to ensure our priority grant programs maintain the funding levels approved by both the House and Senate Appropriations Committees in the final omnibus measure. While the House and Senate versions of the spending bill have similar funding levels for most of our priority programs, the Senate provides \$207 million for the Community Oriented Policing Services (COPS) Hiring Program, but the House only provides \$100 million. It is vital that the final omnibus appropriations measure includes the Senate funding level for the COPS Hiring Program.

We will continue to update our members on the status of Fiscal 2018 appropriations.

House Passes Concealed Carry Reciprocity Act

On December 6, the House passed the Concealed Carry Reciprocity Act (H.R. 38) by a vote of 231-198. This bill would make concealed carry permits valid across state lines, no matter what individual state laws are regarding concealed carry permits. This bill also includes a clarification to the Law Enforcement Officers Safety Act (LEOSA) – which gives qualified active and retired law enforcement officers the right to conceal carry in every state – to allow off-duty and retired law enforcement to conceal carry and discharge a firearm in a school zone.

NAPO has not taken a position on the Concealed Carry Reciprocity Act, but we do support individual, Second Amendment rights for all law-abiding citizens, and we have no problem with citizens obtaining CCW permits according to the laws of their states. We were also the primary supporters for LEOSA (H.R. 218) and continue to work to ensure all qualified active and retired officers can effectively carry under the law.

H.R. 38, as passed the House, also included the Fix NICS Act, a bill which NAPO supports, that would address National Instant Criminal Background Check System (NICS) reporting failures by requiring federal agencies and states to create NICS implementation plans, holding them accountable to those plans and incentivizing them to share all relevant information, including information on domestic abusers, with NICS. It also reauthorizes key programs within NICS that help ensure that individuals who are prohibited from possessing a firearm are not able to obtain them illegally.

While it passed the House, H.R. 38 is not expected to go anywhere in the Senate. It would need 60 votes to pass and it does not have enough bipartisan support to overcome that hurdle. The Fix NICS Act remains a stand-alone bill in the Senate and we will continue to support the passage of that important legislation.

If you have any questions, please contact Andy Edmiston at aedmiston@napo.org.

Join NAPO for our 30th Annual Pension & Benefits Seminar Caesars Palace Hotel & Casino – Las Vegas, NV – January 28-30, 2018

We invite you to join the National Association of Police Organizations (NAPO) for our 30th Annual Police, Fire, EMS & Municipal Employee Pension & Benefits Seminar to be held at Caesars Palace Hotel and Casino in Las Vegas, Nevada, January 28-30, 2018. Participate in discussions on the pressing topics that are affecting your pension fund and benefits.

Topics will include: Pension Threats & Reforms, The U.S. Supreme Court Case that may Gut Unions Across the Country, Plan Fund & Design, The Pension Crisis that started in Kentucky and Why it May Be Coming to Your

State Soon, Tax Reform and the Loss of State and Local Tax Deductions, The Death of the 401(k) Plan, Medicare Options and Security Breaches just to name a few!

For the most up to date agenda check NAPO's website at www.napo.org

Take an active role in improving your fund by registering for this informative seminar. Registration and Hotel information is attached. Registration Information is also found on the NAPO's website event page.

If you have any questions or need additional information please do not hesitate to contact Elizabeth Loranger, NAPO's Director of Events at elorange@napo.org or (703) 549-0775. We look forward to seeing you in Las Vegas!



25th Annual TOP COP AWARDS® Dinner
May 14, 2018
Omni Shoreham Hotel, Washington D.C.

Don't let your TOP COPS nominations get lost in the holiday shuffle! The January 12th deadline for nominations will be here before you know it.

Please take the time to nominate examples of outstanding police work for this prestigious award. We count on you, our members, to help us get the word about TOP COPS out and obtain nominations for officers nationwide. Join us in honoring America's Finest by nominating a case today. Attached, please find the nomination form which must be postmarked or faxed to (703) 684-0515 by **January 12, 2018**. If you have any questions please do not hesitate to contact NAPO's Director of Events, Elizabeth Loranger, at elorange@napo.org or (703)549-0775.

2018 will mark the twenty-fifth year that NAPO has hosted the TOP COPS Awards®. The TOP COP Awards® Dinner will take place Monday, May 14 at the Omni Shoreham Hotel, again coinciding with National Police Week. We look forward to seeing you in Washington, D.C. this spring.

With your help and partnership, the TOP COPS Awards® will continue to be a tremendous success!

Handwritten signature of Michael McHale in black ink.

Michael McHale
President, NAPO

Handwritten signature of Bill Johnson in black ink.

Bill Johnson
Executive Director, NAPO

Please monitor NAPO's website, www.napo.org, and Facebook page: National Association of Police Organizations, and follow us on Twitter at NAPOpolice for breaking news and updates.