

EBRI Databook on Employee Benefits

Appendix E: Legislative History

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This appendix provides a selected chronology of legislation dealing with employee benefits. It is divided into three sections. The first section discusses pension legislation, the second section discusses health insurance legislation, and the third section discusses welfare plan legislation.

Pension Legislation

1921

Revenue Act of 1921 (Public Law 67-98)

Exempted interest income of stock bonus or profit-sharing plans from current taxation. Starting in 1921, employees were not taxed when they made contributions to the pension trust, but only when they received distributions (to the extent the distribution exceeded the amount the employee contributed).

1926

Revenue Act of 1926 (Public Law 69-20)

Extended the exemption granted to stock bonus and profit-sharing plans to pension trusts.

1928

Revenue Act of 1928 (Public Law 70-562)

Allowed employers to take tax deductions for reasonable amounts paid into a qualified trust in excess of the amounts required to fund current liabilities.

1935

Social Security Act of 1935 (Public Law 74-271)

Enacted Social Security.

1938

Revenue Act of 1938 (Public Law 75-554)

Established the “non-diversion” rule and made pension trusts irrevocable. A pension trust is tax exempt only if it is impossible, at any time prior to the satisfaction of all employee liabilities, for any part of the contributions or income to be used for a purpose other than the exclusive benefit of their employees and beneficiaries.

1940

Investment Advisers Act of 1940 (Public Law 76-768)

Required delegation of investment responsibilities only to an advisor registered under the act or to a bank or an insurance company (qualified under the laws of two or more states).

1942

Revenue Act of 1942 (Public Law 77-753)

Tightened coverage standard qualification, limited allowable deductions, and allowed integration with Social Security.

1947

Labor-Management Relations Act of 1947 (Taft-Hartley Act) (Public Law 80-101)

Sec. 302 provided fundamental guidelines for the establishment and operation of pension plans administered jointly by an employer and a union.

1950s-1960s

Social Security Amendments of 1950, 1952, 1954, 1958, and 1967 (Public Laws 81-734; 82-590; 83-761; 85-840; 90-248, respectively)

Affected pension integration provisions.

1950

Revenue Act of 1950 (Public Law 81-814)

Restricted stock options.

1958

Welfare and Pension Plans Disclosure Act of 1958

Established disclosure requirements to limit fiduciary abuse.

1961

Revenue Act of 1961

Amended sec. 403(b) to extend tax deferral for annuity purchases to employees of public school systems.

1962

Welfare and Pension Plans Disclosure Act Amendments of 1962 (Public Law 87-420)

Revised the 1958 act; shifted responsibility for protection of plan assets from participants to federal government to prevent fraud and poor administration.

Self-Employed Individual Retirement Act of 1962 (Public Law 87-792)

Made available qualified pension plans for self-employed persons, unincorporated small businesses, farmers, professionals, and their employees. Also known as the Keogh Act.

1969*Tax Reform Act of 1969 (Public Law 91-172)*

Revised Taft-Hartley fundamental guidelines for establishment and operation of pension plans administered jointly by an employer and a union. Provided that part of a lump-sum distribution received from a qualified employee trust within one taxable year (on account of death or other separation from service) was to be given ordinary income treatment instead of the capital gains treatment it previously received. Under this act, the bargain element on the exercise of statutory options is a tax preference item, unless the stock option is disposed of in the same year the option is exercised.

1974*Employee Retirement Income Security Act of 1974 (ERISA) (Public Law 93-406)*

ERISA protects the benefits of participants in private pension plans through participation, vesting, funding, reporting, and disclosure rules and established the Pension Benefit Guaranty Corporation. Provided added pension incentives for the self-employed (through changes in Keoghs) and to persons not covered by pensions (through individual retirement accounts (IRAs)). Established legal status of employee stock ownership plans (ESOPs) as an employee benefit; codified stock bonus plan under Internal Revenue Code. Established requirements for plan implementation and operation.

1975*Tax Reduction Act of 1975 (Public Law 94-12)*

Established the Tax Reduction Act stock ownership plan (TRASOP) as employee benefit. Provided additional one percent of investment tax credit for acquisitions, construction, and other capital expenditures made between February 1975 and January 1977 for employers creating TRASOPs.

1976*Tax Reform Act of 1976 (Public Law 94-455)*

Extended availability of TRASOP credit to January 1981 and added another 0.5 percent credit for employer-employee matching contributions.

1978*Revenue Act of 1978 (Public Law 95-600)*

Extended TRASOP tax credit provisions through 1983, and required all TRASOPs to be tax-qualified if employee contributions were made for plan years beginning after December 11, 1978. Established qualified deferred compensation plans (sec. 401(k)) under which employees are not taxed until money is withdrawn on the portion of income they elect to receive as deferred compensation rather than direct cash payments. Created simplified employee pensions (SEPs). Changed IRA rules. Established nondiscrimination rules for cafeteria plans.

1980

Miscellaneous Revenue Act of 1980 (Public Law 96-605)

Permitted tax-qualified ESOPs to provide cash distribution to participants.

Multiemployer Pension Plan Amendments Act (Public Law 96-364)

Strengthened funding requirements for private multiemployer pension plans. Authorized plan preservation measures for financially troubled multiemployer plans, created withdrawal liability for employers withdrawing from multiemployer plans, and revised plan termination insurance provisions for such plans.

1981

Economic Recovery Tax Act of 1981 (ERTA) (Public Law 97-34)

Raised contribution limits on IRAs and Keogh plans and extended IRA eligibility to persons covered by employer pension plans. Also authorized qualified voluntary employee contributions. Permitted payroll-based tax credit instead of investment-based TRASOPs. Repealed qualified stock options. Established incentive stock options (ISOs) subject to taxation, modification, and reporting.

1982

Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) (Public Law 97-248)

TEFRA changed Keogh plan contribution limitations, established a new category of plans known as top-heavy plans, and imposed more stringent sec. 415 funding and benefit limitations. Altered provisions allowing loans to plan participants. Changed rules governing integration with Social Security. Reduced estate tax exclusion for proceeds of qualified retirement plans, set age limits for plan distributions, and established various rules aimed at personal service corporations.

1983

Social Security Amendments of 1983 (Public Law 98-21)

Prohibited new pullouts of state and local government employers. Included amounts in salary reduction plans as taxable compensation for payroll tax purposes. Increased payroll taxes for self-employed persons. Gradually increasing Social Security normal retirement age. Changed cost-of-living adjustments from being based solely on CPI to the lower of CPI or wage increases when the trust funds are relatively low.

Railroad Retirement Solvency Act (Public Law 98-76)

Protected solvency of the railroad retirement system by imposing benefit restrictions on future retirees, conforming the system with Social Security, allowing borrowing by railroad unemployment account, and authorizing repayment (by who?) of sums to the railroad retirement account.

1984

Deficit Reduction Act of 1984 (DEFRA) (Public Law 98-369)

Made substantial changes to rules governing IRAs, SEPs, ESOPs, ISOs, top-heavy plans, and golden parachutes. Froze TEFRA's maximum annual pension benefit

and contribution limits through 1987. Modified TEFRA's top-heavy provisions and definition of key employees, and exempted government plans from top-heavy requirements. Made changes affecting 401(k) plans, including the nondiscrimination test. Substantially changed TEFRA's rules on distribution limits from qualified plans. Established additional tax incentives to encourage the formation of ESOPs.

Retirement Equity Act of 1984 (REA) (Public Law 98-397)

Changed the age requirements for purposes of enrollment and vesting in pension plans. Permitted certain breaks in service without loss of pension credits. Changed treatment of pension benefits for widowed and divorced spouses.

1985

Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) (Public Law 99-272)

(included in Single Employer Pension Plan Amendments Act of 1986)

Significantly restricted the definition of insured termination for purposes of Pension Benefit Guaranty Corporation (PBGC) coverage. Raised the employer's annual PBGC premium rate.

1986

Tax Reform Act of 1986 (Public Law 99-514)

Established faster minimum vesting schedules, changed rules for integration of private pension plans with Social Security, and mandated broader and more comparable minimum coverage of rank and file employees. Restricted 401(k) salary reduction contributions, tightened nondiscrimination rules, required inclusion of all after-tax contributions to defined contribution plans as annual additions under sec. 415 limits. Extended the limit on amount of compensation that may be taken into account under all qualified plans, imposed new excess benefit tax on distributions over a certain amount, and reduced maximum benefits payable to early retirees under defined benefit plans. Restricted the allowable tax-deductible contributions to IRAs for high-income individuals who participate in employer-sponsored pension plans. Imposed excise tax on lump-sum distributions received before age 59 1/2. Created SEP salary reduction option for firms with fewer than 26 employees. Subjected loans above a certain amount to current income tax.

Omnibus Budget Reconciliation Act of 1986 (OBRA '86) (Public Law 99-509)

Required that employers with pension plans provide pension accruals or allocations for employees working beyond age 64 and for newly-hired employees within five years of normal retirement age.

1987

Omnibus Budget Reconciliation Act of 1987 (OBRA '87) (Public Law 100-203)

Changed funding rules governing underfunded and overfunded pension plans and PBGC premium levels and structure. Increased per-participant premiums for single-employer defined benefit plans, and established variable rate surcharge for

underfunded plans. Established maximum funding limit of 150 percent of current liability, beyond which employer contributions are not deductible. Tightened minimum funding requirements for underfunded plans; required quarterly premium payment for single-employer plans. Amended Age Discrimination in Employment Act (ADEA) and the Employee Retirement Income Security Act (ERISA) to require full pension service credits for participants employed beyond normal retirement age.

1988

Technical and Miscellaneous Revenue Act of 1988 (TAMRA) (Public Law 100-647)
Increased excise tax on excess pension assets upon termination of qualified plans.

1989

Omnibus Budget Reconciliation Act of 1989 (OBRA '89) (Public Law 101-239)
Partially repealed the interest exclusion on ESOP loans. Imposed mandatory Labor Department civil penalties on violations by qualified plan fiduciaries and created a tax penalty for substantial overstatement of pension liabilities in determining deductibility. Required that various forms of deferred compensation be included in determination of average compensation and, in turn, the Social Security taxable wage base.

1990

Omnibus Budget Reconciliation Act of 1990 (OBRA '90) (Public Law 101-508)
Increased the excise tax on asset reversions from 15 percent to 20 percent in certain cases. Increased the excise tax to 50 percent if the employer does not maintain a qualified replacement plan or provide certain pro rata increases. Allowed the limited use of qualified transfers of excess pension assets to a 401(h) account to fund current retiree health benefits. Raised PBGC flat and variable premiums. Extended Social Security coverage to state and local government employees not participating in a state or local public employee retirement system.

Older Workers Benefit Protection Act of 1990 (Public Law 101-433)
Amended the Age Discrimination in Employment Act (ADEA) to apply to employee benefits. Restored and codified the equal benefit for equal cost principle. Set a series of minimum standards for waivers of rights under ADEA in early retirement situations.

1991

The Comprehensive Deposit Insurance Reform and Taxpayer Protection Act of 1991 (Public Law 102-242)
To reform the banking industry. Included provisions to eliminate pass-through coverage for benefit responsive bank investment contracts (BICs) and to limit federal deposit insurance to \$100,000 per individual per institution.

1992

Unemployment Compensation Amendments of 1992 (Public Law 102-318)

Imposed a 20 percent mandatory withholding tax on lump-sum distributions that are not rolled over into qualified retirement accounts; liberalized rollover rules; and required plan sponsors to transfer eligible distributions directly to an eligible plan if requested by the participant.

1993

Pension Benefit Guaranty Corporation (PBGC) Lease Settlements Act of 1993 (Public Law 103-7)

Confirmed a settlement made by PBGC and Continental Airlines clarifying that PBGC would be protected in the event of a future Continental Airlines bankruptcy.

Omnibus Budget Reconciliation Act of 1993 (OBRA '93) (Public Law 103-66)

Reduced the compensation limit for qualified plans (sec. 401(a)(17)) from \$235,840 to \$150,000. Increased the amount of Social Security benefits subject to taxation from 50 percent to 85 percent for single individuals with incomes above \$34,000 (\$44,000 for married individuals filing jointly).

Pension Annuitants Protection Act of 1993 (Public Law 103-401)

Clarified that, in cases where a pension plan fiduciary purchases insurance annuities in violation of ERISA rules, a court may award appropriate relief, including the purchase of backup annuities, to remedy the breach.

Uniformed Services Employment and Reemployment Rights Act of 1993 (Public Law 103-353)

Guaranteed a veteran's right to pension benefits that would have accrued during military service. Pension plans would not have to pay earnings or forfeitures on make-up contributions. Repayment of employee contributions could be made over a period of three times the period of military service, not to exceed five years. If the service member rejects re-employment option, no pension rights accrue for the period of military service, but the person's vested interest prior to entering military service would remain intact.

1994

Social Security Administrative Reform Act of 1994 (Public Law 103-296)

Established the Social Security Administration as an independent federal agency effective March 31, 1995.

Bankruptcy Reform Act of 1994 (Public Law 103-394)

Gave the PBGC and state and local government pension plans seats on creditors' committees in corporate bankruptcies.

Social Security Act Amendments of 1994 (Public Law 103-432)

Simplified employment taxes for domestic services. Reallocated a portion of the Social Security tax to the Disability Insurance trust fund.

Uruguay Round Agreements Act (GATT) 1994 (Public Law 103-465)

Included provisions from the Retirement Protection Act of 1993 to require greater contributions to underfunded plans. Limited the range of interest rate and mortality assumptions used to establish funding targets, phased out the variable rate premium cap, modified certain rules relating to participant protections, and required private companies with underfunded pension plans to notify the PBGC before engaging in a large corporate transaction. Slowed pension Sec. 415 and Sec 401(k) cost-of living adjustments. Extended through the year 2000 provision that allows excess pension assets in certain defined benefit plans to be transferred into a 401(h) retiree health benefits account.

1996

The Small Business Job Protection Act of 1996 (Public Law 104-188)

Created the savings incentive match plan for employees (SIMPLE) for small establishments. Created a new nondiscrimination safe harbor, repealed sec. 415(e) limits, created a new definition of highly compensated employees, modified plan distribution rules, repealed family aggregation rules, made USERRA technical changes, and required that sec. 457 plan assets be held in trust. Additionally, allowed non-working spouses to contribute up to \$2,000 to an Individual Retirement Account (IRA) if the working spouse is eligible, clarified employment tax status for independent contractors, and temporarily reinstated the sec. 127 education deduction.

"Source Tax" Repeal 1996 (Public Law 104-95)

Restricted the ability of states to tax nonresidents' pension incomes earned while working in the state. Prohibited states from taxing ex-residents on (i) all qualified plan benefits, all 403(a) and (b) annuity plans, Sec. 457 plans, IRAs, SEPs, and governmental plans; (ii) nonqualified plan benefits that are paid in substantially equal periodic payments for at least 10 years or life; and (iii) nonqualified "mirror" plan benefits that would have been provided under a qualified plan but for the various benefit, compensation, and contribution limits.

Contract With America Advancement Act of 1996 (Public Law 104-121)

Increased to \$30,000 the amount of employment income beneficiaries aged 65-69 can earn annually without triggering pension payment reductions.

1997

A bill amending title I of the Employee Retirement Income Security Act of 1974 to clarify treatment of investment managers (Public Law 105-72)

ERISA's definition of "investment manager" expanded to include fiduciary registered under state law.

Savings Are Vital to Everyone's Retirement (SAVER Act) of 1997 (Public Law 105-92)

Required DOL to create public education program to describe retirement savings principles, types of plans, tax treatment, and legal requirements, including an Internet site for personal calculation of retirement savings needs. Also required the President to convene national summits to increase public awareness, identify issues, and develop recommendations.

Taxpayer Relief Act of 1997 (TRA 97) (Public Law 105-34)

Included numerous provisions that directly affect retirement plans, including provisions that applied the 10% limit on investment in employer securities and real property to certain 401(k) elective deferrals; increased the 150% full funding limit; increased the involuntary distribution cash-out limit to \$5,000; repealed the 15% excise tax on excess distributions; made permanent the current moratorium on nondiscrimination rules for public pension plans; and changed 403(b) annuity rules. Also included child tax credit; capital gains relief; expansion of deductible IRAs; creation of nondeductible "Roth IRAs" and education IRAs.

1998

Higher Education Act Amendments (Public Law 105-244)

Allowed colleges and universities to offer age-based voluntary early retirement incentives to tenured faculty members by amending the ADEA to add a safe harbor for such incentive arrangements, effective October 7, 1998.

2000

Social Security Amendments of 2000 (Public Law 106-182)

Repealed the earnings limit for individuals who have attained normal retirement age.

2001

Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) (Public Law 107-16)

Increased the contribution limits on 401(k), 403(b), 457 plans, and IRAs. Permitted catch-up contributions for individuals age 50 and over. Created tax credits to help small businesses start up pension plans. Increased portability for plan participants.

2002

Job Creation and Worker Assistance Act of 2002 (Public Law 107-147)

Increased interest rate assumptions used for calculating defined benefit plan contributions, benefit calculation, and PBGC premium rates.

Corporate and Auditing Accountability, Responsibility, and Transparency Act of 2002 (Public Law 107-204)

Requires a 30-day notice before instituting a "blackout period" on investment changes while administrators are being changed for 401(k) plan administration. Prohibits executives from selling their own stock in non-qualified retirement plans during blackout periods in the 401(k) plan.

2004

Pension Funding Equity Act of 2004 (Public Law 108-218)

Set a new pension interest benchmark through 2005. The new standard would be the blended corporate bond rate.

2005

The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (Public Law 109-8)

Includes new protections for assets held in pension plans and Individual Retirement Accounts, and other pension-related provisions.

Deficit Reduction Omnibus Budget Reconciliation Act of 2005 (Public Law 109-171)

This law, among other things: (i) raises plan sponsor flat-rate premiums to the PBGC from \$19 to \$30 per participant; (ii) automatically indexes premium increases to wage increases; and (iii) imposes a special premium of \$1,250 per plan participant (for the first three years) for companies emerging from bankruptcy that had terminated their pension plans. The provision for a special premium would also apply to distress terminations outside of bankruptcy.

Tax Increase Prevention and Reconciliation Act of 2005 (Public Law 109-222)

The act removes income restrictions on converting traditional IRAs to Roth IRAs. It also imposes new penalties and reporting requirements on managers of tax-exempt entities — including qualified plans, IRAs and other tax-favored arrangements, as well as charities and more traditional tax-exempt organizations — who engage in certain tax-shelter transactions.

2006

Pension Protection Act of 2006 (Public Law 109-280)

The pension law aimed to tighten rules governing how companies fund their pension plans, so as to avoid a potential taxpayer bailout of the PBGC, but to do so in a way that does not force private-sector plan sponsors to terminate their pension benefits. In addition, the law makes a number of significant changes in defined contribution rules, in particular to encourage automatic enrollment in 401(k) plans and to make it easier for 401(k) sponsors to offer investment advice to plan participants.

2008

Heroes Earnings Assistance and Relief Tax Act of 2008 (Public Law 110-245)

Per the Act, Active duty members of the Reserve may withdraw funds from their retirement without facing penalty. Additionally, recipients of monetary military death benefits may roll over the amount tax-free into a Roth IRA.

Worker, Retiree, and Employer Recovery Act of 2008 (Public Law 110-458)

Enacted technical corrections to the Pension Protection Act of 2006 concerning age related rules, cost of benefits, and limitations on income deductions. Also covers pension provisions relating to the economic crisis by extending pension fund improvement periods, easing additional contribution requirements for organizations, and waiving minimum fund distribution requirements.

Health Insurance Legislation

1939

Revenue Act of 1939 (sec. 104) (Public Law 76-1)

Established employee tax exclusion for compensation for injuries, sickness, or both, received under workers' compensation, accident, or health insurance.

1942

Revenue Act of 1942 (sec. 213) (Public Law 77-753)

Established the medical expense deduction.

1954

Revenue Act of 1954 (sec. 105)

Required that amounts received under accident and health plans be included in employees' gross income if (1) they are attributable to employer contributions not previously included in the employee's gross income or (2) the amount is paid to the employee by the employer.

Revenue Act of 1954 (sec. 106)

Confirmed the nontaxable status of employers contribution to accident and health plans benefiting employees.

1965

Social Security Amendments of 1965 (Public Law 89-97)

Enacted Medicare and Medicaid. Permitted one-half of premiums paid for medical insurance, not in excess of \$150, to be deducted from taxable income.

1973

Health Maintenance Organization Act of 1973 (Public Law 93-222)

Established benefit, administrative, financial, and contractual requirements for entities seeking designation as federally qualified health maintenance organizations (HMOs).

1974

Employee Retirement Income Security Act of 1974 (ERISA) (Public Law 93-406)

Established uniform standards that employee benefit plans must follow to obtain and maintain their tax-favored status. ERISA supersedes or preempts all state law otherwise applicable to pension and welfare plans covered by ERISA.

1982

Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) (Public Law 97-248)

Eliminated the separate deduction for health insurance premiums and included health insurance premiums as medical expenses that may be deducted subject to the adjusted gross income floor. Limited deductions for medical expenses to amounts in excess of 5 percent of adjusted gross income.

1984

Deficit Reduction Act of 1984 (DEFRA) (Public Law 98-369)

Made changes to the tax treatment and contribution limits of voluntary employee beneficiary associations (VEBAs) and imposed new nondiscrimination rules for VEBAs similar to those for tax-qualified pension and profit-sharing plans. Expanded Medicaid eligibility and made Medicare the secondary payer for covered health expenses of workers aged 65-69, covered by an employer plan.

1985

Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) (Public Law 99-272)

Required employers with 20 or more employees to make available continued health care coverage for a specified period to employees (and/or qualified dependents) who terminate employment for reasons other than gross misconduct.

1986

Tax Reform Act of 1986 (Public Law 99-514)

Established new nondiscrimination rules for health and welfare plans under Internal Revenue Code sec. 89 Limited deductions for medical expenses to amounts exceeding 7.5 percent of adjusted gross income. Allowed a deduction for 25 percent of the amount paid for health insurance for self-employed individuals, spouses, and dependents.

Omnibus Budget Reconciliation Act of 1986 (OBRA '86) (Public Law 99-509)

Amended COBRA to make the loss of retiree health coverage because of a firm's chapter 11 bankruptcy filing a qualifying event for continuation of health insurance coverage for retirees and their dependents.

1987

Omnibus Budget Reconciliation Act of 1987 (OBRA '87) (Public Law 100-203)

Allowed states to extend Medicaid coverage to pregnant women and infants in families with incomes up to 185 percent of poverty level.

1988

Technical and Miscellaneous Revenue Act of 1988 (TAMRA) (Public Law 100-647)

Eased some of the sec. 89 nondiscrimination rules for health and welfare plans Changed the penalty for a plan's noncompliance with COBRA from loss of the employer's health plan deduction for the year to an excise tax.

Medicare Catastrophic Coverage Act of 1988 (Public Law 100-360)

Increased Medicare benefits to provide catastrophic health coverage and prescription drug benefits; expanded Medicaid benefits for pregnant women, children, and in-community spouses of elderly in nursing homes.

Retirement Benefits Bankruptcy Protection Act of 1988 (Public Law 100-334)
Required companies that file for reorganization under chapter 11 of the bankruptcy code to continue paying life and health insurance benefits to retirees. Such companies are prevented from modifying their plans unless they can prove it is necessary to do so to avoid liquidation.

Health Maintenance Organization Act Amendments of 1988 (Public Law 100-517)
Relaxed some requirements of the 1973 HMO Act by making it easier for employers to negotiate rates and coverage. Repealed the requirement that an employers of more than 25 workers who offer health insurance must offer the dual option of enrollment in a federally qualified HMO at the request of such an HMO.

1989

Omnibus Budget Reconciliation Act of 1989 (OBRA '89) (Public Law 101-239)
Allowed COBRA continues (??) who become covered under another plan to continue their former employer coverage for a health problem considered to be a preexisting condition under the new plan. Extended the continuation period for individuals who are disabled at termination of employment and raised the premium for the extended period.

Medicare Catastrophic Coverage Repeal (Public Law 101-234)
Repealed the catastrophic health care and prescription drug programs, and eliminated the supplemental Medicare premium and the maintenance of effort requirements that were included in the Medicare Catastrophic Coverage Act of 1988.

1990

Omnibus Budget Reconciliation Act of 1990 (OBRA '90) (Public Law 101-508)
Increased to \$125,000 the wage cap for the 1.45 percent Medicare payroll tax. Increased Medicare Part B monthly premiums and annual deductible. Required the establishment of 10 standard private Medigap policies to be offered by all insurers. Prohibited the sale of duplicative Medigap policies to individuals. Reduced Medicare payments to hospitals under the Medicare prospective payment system (PPS). Required states to pay health insurance premiums and cost-sharing for Medicaid beneficiaries for enrollment under group health plans (including COBRA continuation coverage) when cost effective to do so. Mandated Medicaid coverage for all children under age 19 in families with incomes at or below 100 percent of the federal poverty level. Generally denied federal Medicaid matching expenses for prescription drugs from any manufacturer that does not agree to provide specified rebates to states on a quarterly basis. Created a low-income tax credit for the costs of health insurance coverage premiums for children. Allowed the limited use of qualified transfers of excess pension plan assets to a 401(h) account to pay for current retiree health benefits in certain cases.

Older Workers Benefit Protection Act of 1990 (Public Law 101-433)

Amended the Age Discrimination in Employment Act (ADEA) to apply to employee benefits. Restored and codified the equal benefit for equal cost principle. Set a series of minimum standards for waivers of rights under ADEA in early retirement situations.

Americans with Disabilities Act of 1990 (Public Law 101-336)

Prohibited employment discrimination on the basis of disability. Includes a provision to protect ERISA preemption of state laws relating to health plans. Permitted insurance companies, HMOs, and benefit plan administrators to follow risk-classification and underwriting policies permitted under state law.

1991

Tax Extension Act of 1991 (Public Law 102-227)

Temporarily extended the tax deduction for health insurance costs of self-employed individuals.

National Energy Efficiency Act of 1991 (Public Law 102-486)

Included a provision that requires coal producers to fund health and death benefits for eligible retired coal miners and their dependents.

Rural Telephone Cooperative Association Amendments (P.L. 102-89, 1991)

Provided equal treatment of telephone and electric cooperative welfare plans under ERISA preemption.

1993

Omnibus Budget Reconciliation Act of 1993 (OBRA '93) (Public Law 103-66)

Included a tax enforcement provision aimed at ensuring that certain New York state group health plans (including self-insured plans) pay state imposed surcharges on inpatient hospital bills. Modified ERISA as it relates to group health plan coverage of pediatric vaccines, compliance with medical child support orders, and coverage of adoptive children as dependents. Reduced the growth of overall Medicare spending by \$56 billion. Repealed the wage base cap on payroll taxes for the Medicare Hospital Insurance program. Extended the 25 percent deduction for the health insurance costs of self-employed individuals until Dec. 31, 1993. Required that employers report information relating to the health insurance coverage status of employees and their dependents to the Health Care Financing Administration (HCFA) Medicare and Medicaid Coverage Data Bank.

Uniformed Services Employment and Reemployment Rights Act of 1993 (Public Law 103-353)

Clarified the right to continue employer-sponsored health insurance for up to 18 months for persons who have coverage in connection with employment and who are absent due to military service. Limited the obligation to continue coverage if the person fails to apply for or return to a position of employment. Persons covered by the plan would not be subject to a waiting period or an exclusion on reinstatement following a period of service.

1995

Deduction for Health Insurance Costs of Self-Employed Individuals (section 162(l)IRC) (Public Law 104-7)

Extended the tax deduction for health insurance cost of self-employed individuals through December 31, 1993; increased the deduction to 30% from 1995 forward; and made the deduction permanent. Extended through December 31, 1995 a provision that permits New York to impose surcharges on group health plans (including self-insured plans) regarding inpatient hospital bills.

Medicare Select Policies, Extension (Public Law 104-18)

Extended the Medicare Select program for three years and expanded it to include all 50 states. Makes the program permanent on June 20, 1998 unless Department of Health and Human Services determines otherwise.

Social Security Act Amendments (Public Law 103-432)

Extended the Medicare Select program through June 30, 1995.

1996

Health Insurance Portability and Accountability Act of 1996 (HIPAA) (Public Law 104-191)

Set national nondiscrimination and "portability" standards for individual health insurance coverage, HMOs and group health plans, extended COBRA disability eligibility to beneficiaries of the covered individual, established tax-favored treatment of long term care insurance, and instituted a medical savings account (MSA) program, limited to 750,000 individuals by 2000.

Mental Health Parity Act of 1996 (Public Law 104-204)

Requires any group health plan that offers mental health benefits to offer the same annual and lifetime dollar limits that apply to conventional coverage. Health plans may continue to specify different limits on inpatient treatment, cost-sharing requirements, and standards relating to medical necessity. Employers with fewer than 51 employees and plans that experience a cost increase of 1 percent or more are exempt.

Newborns' and Mothers' Health Protection Act of 1996 (Public Law 104-204)

Adopted as an amendment to the VA/HUD reauthorization bill. Requires health plans and health insurers to offer a minimum 48-hour hospital stay for all new mothers and infants, and a minimum 96 hour stay after cesarean sections. Health plans may not offer financial incentives to encourage shorter stays. Health plans may impose deductibles and co-payments for such stays as long as they are not designed to encourage early discharges.

Medicare/Medicaid Coverage Data Bank Repeal 1996 (Public Law 104-226)

Repealed the data gathering mechanism originally authorized as part of the Omnibus Budget Reconciliation Act of 1993. The data bank's purpose was to aid the Health

Care Financing Administration (HCFA) in recovering payments made by Medicare and Medicaid when a third party should have been the primary payer. The data bank would have required all health plan sponsors and insurers to report detailed information on covered dependents to HCFA.

Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193)

Changed who is eligible for coverage under Medicaid. The law replaced Aid to Families with Dependent Children (AFDC) with Temporary Assistance for Needy Families (TANF). Pre-TANF, an individual who received benefits through AFDC or Supplementary Security Income (SSI) automatically became entitled to Medicaid. This link was severed under the new law. Immigrants who legally entered the United States after August 1996 are barred from Medicaid for the first five years they are in the country except for emergency care. The eligibility standards after the five-year period were made more restrictive. For example, an immigrant's sponsor's income and assets are taken into account when determining Medicaid eligibility even if the immigrant lives independently of the sponsor.

1997

Balanced Budget Act of 1997 (Public Law 105-33)

Included many changes to spending and entitlement programs. Reduced anticipated Medicare spending by \$115 billion over five years, largely through reductions in provider reimbursements. Created Medicare+Choice, with new coverage options: HMOs, PPOs, PSOs, private fee-for-service, and medical savings accounts. Provided new preventive Medicare benefits.. Applied new consumer protections to Medicare and Medicaid plans. Established the National Bipartisan Commission on the Future of Medicare. Modified, extended, and made permanent certain Medicare secondary payor rules. Reduced anticipated Medicaid spending by \$13 billion over five years. Increased state flexibility for Medicaid program. Created a \$24 billion State Child Health Insurance Program (SCHIP) to provide matching funds to states to expand coverage of low-income uninsured children, financed partially through an increase in the tobacco tax.

1998

Omnibus Consolidated and Emergency Supplemental Appropriations Act (Public Law 105-277)

Required coverage by group health plans, individual insurance issuers, and state/local government plans for reconstructive surgery following mastectomies. Required coverage of contraceptives by federal employee health benefit plans. Accelerated the full deductibility of health insurance premiums for self-employed individuals (60 percent deduction for 1999-2001, 70 percent for 2002, and 100 percent beginning in 2003).

1999

Medicare, Medicaid, and SCHIP Balanced Budget Refinement (Public Law 106-113)

Restored some Medicare provider payments originally cut by the Balanced Budget Act of 1997. For Medicaid, increased DSH payments for certain states (DC, MN, NM, WY); provided enhanced matching payments for medical and utilization reviews for Medicaid fee-for-service programs; and permanently extended a \$500 million outreach fund designed to help states pay for costs associated with individuals losing Medicaid coverage after leaving welfare rolls. For SCHIP, the Act increased program allotments nationwide, modified the BBA allotment distribution formula to limit fluctuations in allocations, and provided funds for data collection necessary to monitor and evaluate the implementation of SCHIP programs.

The Ticket to Work and Work Incentives Improvement Act of 1999 (Public Law 106-170)

Expanded states' ability to provide a Medicaid "buy-in" to individuals with disabilities who return to work and would otherwise lose Medicaid coverage; created a new Medicaid demonstration project to assess the effectiveness of providing Medicaid coverage to persons whose condition has not yet deteriorated enough to prevent work, but who need health care to prevent or forestall that level of deterioration. Lengthened from 4 years to 8-1/2 years the period for which Social Security disability beneficiaries who return to work can continue to receive reduced-cost Medicare coverage. The exclusion for excess asset transfers from DB plans to pay for retiree health benefits (section 420) was extended through December 31, 2005.

2002

Job Creation and Worker Assistance Act of 2002 (Public Law 107-147)

Extended the Mental Health Parity Act for one year. Extended the Medical Savings Account pilot program through December 31, 2003.

2003

Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Public Law 108-173)

This act created Medicare Part D, an outpatient prescription drug benefit for Medicare beneficiaries. It provides a subsidy to employers for 28 percent of the cost of some drug benefits for retirees. It also allows certain individuals to contribute to health savings accounts (HSAs) which allow individuals to save money for insurance premiums and out-of-pocket health expenses in retirement on tax-favored basis.

2005

Patient Safety and Quality Improvement Act of 2005 (Public Law 109-41)

Requires the Secretary of Health and Human Services to create and maintain a network of patient safety databases. Information reported to these databases will be used to analyze trends and patterns of health care errors.

2006

Tax Relief and Health Care Act (Public Law 109-432)

Extended through 2007 the Mental Health Parity Act and Archer Medical Savings Accounts. Allows one-time contributions and transfers from flexible spending accounts, health reimbursement accounts, and IRAs.

2008

Genetic Information Non-discrimination Act of 2008 (Public Law 110-233)

Protects people from losing their jobs or health insurance when genetic testing reveals they are susceptible to costly diseases. The new law forbids employers and insurance companies from denying employment, promotions, or health coverage to people when genetic tests show they have a predisposition to cancer, heart disease, or other ailments.

Heroes Earnings Assistance and Relief Tax Act of 2008 (Public Law 110-245)

Reservists on active duty for at least 18- days may withdraw the remainder of funds from their health care flexible spending account.

Emergency Economic Stabilization Act of 2008 (Public Law 110-343)

The health section, also known as the *Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008*, required group health insurance plans to offer more comprehensive coverage for mental illness and substance abuse treatment. Mental health coverage must be considered on equal footing as a physical illness, ensuring the elimination of restrictive treatment limits and financial requirements for substance abuse and mental health benefits.

Michelle's Law (Public Law 110-381)

Prohibited group health plans from terminating a dependent child's health coverage when they take leave from school or switch to part-time status because of a grave injury or illness.

An Act to Make A Technical Correction in the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equality Act of 2008 (Public Law 110-460)

Amended the effective date of the Act to January 1, 2010, thereby extending the Act for another year.

2009

Children's Health Insurance Program Reauthorization Act of 2009 (Public Law 111-3)

Extended government sponsored health insurance coverage to about 4 million uninsured children while continuing coverage for 7 million children already in the program. These children are from low to moderate income families that are not eligible for Medicaid but cannot afford private health insurance. Additional costs will be paid for by an increased cigarette tax. Dental and mental health coverage is guaranteed. States may use funds to extend coverage to legal immigrants and pregnant women.

American Recovery and Reinvestment Act of 2009 (Public Law 111-5)
Provided additional funding for Medicaid, as well as health technology, training, research, and prevention programs. More importantly, the legislation allocated money for a 65% subsidy of COBRA health insurance costs for the unemployed. Employees fired since September 1, 2008 who declined COBRA coverage must be contacted by their former employer and informed of the aforementioned subsidy.

Welfare Legislation

1956

Social Security Amendments of 1956 (Public Law 84-880)
Created the Disability Insurance Program.

1959

Life Insurance Company Income Tax Act of 1959 (Public Law 86-69)
Excluded from taxation the investment income attributable to insured pension reserves.

1964

Revenue Act of 1964 (Public Law 88-272)
Established \$50,000 limit on value of life insurance that can be supported by tax-deductible premiums.

1974

Employee Retirement Income Security Act of 1974 (ERISA) (Public Law 93-406)
Established uniform standards that employee benefit plans must follow to obtain and maintain their tax-favored status. ERISA supersedes or preempts all state law otherwise applicable to pension and welfare plans covered by ERISA.

1976

Tax Reform Act of 1976 (Public Law 94-455)
Eliminated sick pay exclusion. Created an exclusion of up to \$5,200 a year for retirees under age 65 who are permanently and totally disabled. Provided for special tax treatment of group legal services as an employee benefit.

1978

Revenue Act of 1978 (sec. 105(h)) (Public Law 95-600)
Established nondiscriminatory standards for self-insured medical reimbursement plans. Established exclusion for employer-paid education assistance.

Revenue Act of 1978 (sec. 125) (Public Law 95-600)
Permitted creation cafeteria plans where employees may choose among two or more benefits of the plan without being subject to taxation. Employees may elect to have

the employer contribute to a profit-sharing or stock bonus plan or to be paid in cash or other benefits.

1980

Social Security Disability Amendments (Public Law 96-265)

Amended Title II of the Social Security Act to provide better work incentives and improved accountability in the disability insurance program.

1981

Economic Recovery Tax Act (ERTA) (Public Law 97-34)

Increased and modified child and dependent care tax credit. Established tax exclusion for employer-provided dependent care assistance (section 129).

1982

Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) (Public Law 97-248)

Changed the rules for computing the share of employer-paid group life insurance premiums to be included in employee's adjusted gross income.

1984

Tax Reform Act of 1984 (Public Law 98-369)

Placed new limitations and excise taxes on welfare benefit plans. Applied nondiscrimination rules for term life insurance for retirees. Imposed a tax penalty on early distributions of universal life insurance annuities.

Deficit Reduction Act of 1984 (DEFRA) (Public Law 98-369)

Adopted new qualification rules and contribution limits for welfare benefit funds. Imposed a tax penalty on early distributions of universal life insurance annuities. Provided special transition rules for cafeteria plans not complying with IRS regulations. Changed the taxation of group term life insurance, including taxation of the value of employer-provided coverage in excess of \$50,000 for retired employees, the application of nondiscrimination rules to retirees, and the imposition of penalties for plans considered discriminatory.

1986

Tax Reform Act of 1986 (Public Law 99-514)

Established new nondiscrimination rules for health and welfare plans (Internal Revenue Code sec. 89). Limited the exclusion for dependent care assistance to \$5,000.

1988

Technical and Miscellaneous Revenue Act of 1988 (TAMRA) (Public Law 100-647)

Eased some of the sec. 89 non-discrimination rules. Prohibited tax-free loans from single-premium life insurance policies purchased after June 20, 1988.

Retirement Benefits Bankruptcy Protection Act of 1988 (Public Law 100-334)
Required companies that file for reorganization under chapter 11 of the bankruptcy code to continue paying life and health insurance benefits to retirees. Such companies are prevented from modifying their plans unless they can prove it is necessary to do so to avoid liquidation.

Family Support Act of 1988 (Public Law 100-485)
Redefined eligible dependents for the dependent care tax credit and income exclusion and required employees to list their care provider's taxpayer identification information on their tax returns. Limited combined use of the dependent care tax credit and employer-sponsored dependent care spending accounts.

1990

Older Workers Benefit Protection Act of 1990 (Public Law 101-433)
Amended the Age Discrimination in Employment Act (ADEA) to apply to employee benefits. Restored and codified the equal benefit for equal cost principle. Set a series of minimum standards for waivers of rights under ADEA in early retirement situations.

Americans with Disabilities Act of 1990 (ADA) (Public Law 101-336)
Prohibited employment discrimination on the basis of disability, including discrimination in the provision of benefits, and required employers to reasonably accommodate employees with disabilities. Included special rules for self-insured health plans subject to ERISA and permitted insurance companies, HMOs, and benefit plan administrators to follow risk-classification and underwriting policies that are legal under state law.

1991

Tax Extension Act of 1991 (Public Law 102-227)
Extended for six months the tax deduction for employer-provided educational assistance and employer-provided group legal services.

National Energy Efficiency Act of 1991 (Public Law 102-486)
Included provisions to limit the employee deduction of employer-provided parking benefits and increase the tax-exempt employer-provided transit benefit.

1993

Family and Medical Leave Act of 1993 (Public Law 103-3)
Provided up to 12 weeks of unpaid leave each year (with continued health insurance coverage) for the birth or adoption of a child or for serious illness of the employee or the employee's child, parent, or spouse to employees in firms with more than 50 workers.

Omnibus Budget Reconciliation Act of 1993 (OBRA '93) (Public Law 103-66)
Extended the exclusion for employer-provided educational assistance until Dec. 31, 1994 (retroactively from June 30, 1992).

1996

Defense of Marriage Act 1996 (DOMA) (Public Law 104-199)

Allowed states to refuse to recognize a same-sex marriage performed in another state; created a federal definition of “marriage” as the “legal union between one man and one woman” and defined “spouse” as a “person of the opposite sex who is husband or wife.”

Contract With America Advancement Act of 1996 (Public Law 104-121)

Also included limits on Disability and Supplemental Security Income benefits to persons disabled because of drug or alcohol abuse and limits on benefits to stepchildren.

Small Business Job Protection Act of 1996 (Public Law 104-188)

Reinstated and extended through May 31, 1997 the tax exclusion for employer-provided educational assistance, except for employer-provided assistance for graduate level courses; established tax exclusion for employer-provided adoption assistance. Expanded tax preference for housing to employees of academic health centers; modified worker classification safe harbor; and repealed the \$5,000 death benefit exclusion.

Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193)

changed the nation's welfare system into one requiring work in exchange for time-limited assistance. It created the Temporary Assistance for Needy Families (TANF) program, which replaced the Aid to Families with Dependent Children (AFDC), Emergency Assistance (EA), and Job Opportunities and Basic Skills Training (JOBS) programs. The law marks the end of federal entitlement to assistance. In TANF, states and territories operate programs, and Indian tribes have the option to run their own programs. States, territories, and tribes each receive a block grant allocation, and states must maintain a historical level of state spending known as maintenance of effort. The 1996 law offers states great flexibility in designing individual state TANF programs. Unless expressly provided under the statute, the federal government may not regulate the conduct of states.

1997

Taxpayer Relief of 1997 (TRA 97) (Public Law 105-34)

Extended the tax exclusion for employer-provided educational assistance for courses beginning before June 1, 2000, along with tax code changes affecting certain healthcare provisions.

1998

IRS Restructuring and Reform (Public Law 105-206)

Expanded the favorable tax treatment of meals provided by employers to their employees on their business premises. Overturned the Tax Court's *Schmidt Baking*

decision, thus deferring employers' deductions for secured vacation, severance, and certain deferred compensation.

Transportation Equity Act for the 21st Century (1998) (Public Law 105-178)

Allowed employees to choose among cash, parking, transit passes, and vanpooling benefits, with the employee to be taxed on the cash received and on any excess in the value of parking, transit passes, and vanpooling benefits received over the applicable dollar caps. Increased caps on mass transit and vanpooling expenses to \$100 per month beginning in 2002. Suspended for 1999 the automatic inflation increase in the caps on qualified transportation fringes. Also applied Davis-Bacon Act, Civil Rights Act Title VI, and Federal Transit Act 13(c) protections to the new state infrastructure projects.

1999

The Ticket to Work and Work Incentives Improvement Act of 1999 (Public Law 106-170)

Provided grants to states to design and administer services that support workers with disabilities. Provided Social Security disability beneficiaries a choice of providers for employment-related services. Authorized the Social Security Administration to test new ways to enable individuals with disabilities to return to work. Enabled individuals with disabilities to reestablish eligibility for Social Security disability benefits on an expedited basis if their attempts to return to work fail. The Act also contained several provisions to extend expiring tax laws: the work opportunity tax credit was extended through December 31, 2001; the welfare-to-work tax credit was extended through December 31, 2001; and the exclusion for employer-provided educational assistance for undergraduate education (section 127) was extended to include courses beginning before January 1, 2002.

2000

Long Term Care Security Act of 2000 (Public Law 106-265)

Allows federal government employees to purchase private long-term care insurance for themselves and qualified relatives at group discounts.

2001

Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) (Public Law 107-16)

Increased benefit limits for adoption assistance benefits. Increased tax credits for dependent care expenses. Increased contribution limits on education IRAs. Granted federal tax qualified status for Sec. 529 plans. Exclusion from taxation of employer provided education assistance.

2009

Lilly Ledbetter Fair Pay Act of 2009 (Public Law 111-2)

This law clarified that each paycheck reflecting gender-based pay discrimination constitutes a new violation of the Civil Rights Act of 1964, extending the current 180-day statute of limitations for filing an equal pay lawsuit.

American Recovery and Reinvestment Act of 2009 (Public Law 111-5)

Additional funding is provided for unemployment benefits, food stamps, welfare payments, job training, free meal programs, and a one-time \$250 payment for Social Security and SSI recipients, as well as veterans receiving disability and pension benefits.