



## Group Legal Services Benefit Plans

### ABA Urges Reinstatement of Tax Preferred Status

---

The ABA has long supported group legal services plans as a way to increase access to the justice system for low and middle-income workers and their families. These plans allow covered individuals to address legal issues before they become significant problems, reducing demands on already overburdened court systems and instilling confidence in our justice system.

Section 120 of the Internal Revenue Code, enacted in 1976, encouraged employers to provide group legal services benefits for employees and their families by excluding from gross income the cost of this benefit. The plans' tax-favored status sunsetted in 1992, resulting in a tax increase to employers and employees, as well as increased administrative costs for employers. Because of these problems, many employers discontinued their group legal benefit plans causing their employees and retirees to lose access to affordable preventative legal services.

Representative Pete Stark (D-CA), along with Representative Dave Camp (R-MI), introduced H.R. 1840, the "Legal Services Benefit Act", to reinstate and make permanent the tax exclusion for group legal services benefits. Twelve original cosponsors include Ways and Means Committee Chairman Charles Rangel (D-NY) and Judiciary Committee Chairman John Conyers (D-MI). Senators Gordon Smith (R-OR) and Blanche Lincoln (D-AR) introduced a Senate companion measure, S. 1130. **The ABA urges Congress to enact this legislation because:**

- **Group legal plans efficiently and inexpensively provide legal services to low and middle income workers and their families.** Group legal services plans have an established record of being able to deliver personal legal services in an organized and efficient manner. For an average annual employer contribution of less than \$150, employees are able to utilize a wide range of legal services often worth hundreds or even thousands of dollars, which otherwise would be beyond their means. Generally, group legal plan benefits include assistance with the purchase and maintenance of a home, preparation of a will and guardianship documents, adoption proceedings, probate services and resolution of family law matters, including collection of child support and protective orders in domestic violence cases.
- **Reinstatement of the tax-preferred status would encourage more employers to offer group legal benefits.** Current administrative and tax burdens discourage employers, especially small business owners, from adding this low-cost benefit to their benefit package. Group legal plans foster productivity for all size employers because workers are able to resolve legal difficulties early on before they become more complex, time consuming and expensive, allowing employees to focus on their jobs and their families.
- **Group legal plans are a valuable benefit to employees.** Group legal services plans provide employees with low-cost, basic legal services to enable them to resolve legal matters. As a result of recent national and natural disasters, Americans are more aware than ever of the need for legal advice to plan for their families' future and financial well-being. **New legal issues that disproportionately affect low and middle income workers and families continue to arise, including consumer fraud and now the mortgage foreclosure crisis.** In addition to affecting home owners, the foreclosures are also forcing renters from their homes.
- **Group legal services help ease the strain on overburdened government programs.** People who are unable to resolve their problems privately are more likely to require public assistance programs. For example, a mother who has her own lawyer to enforce child support payments would not require the assistance of the court systems' overburdened child support enforcement lawyers to collect overdue payments and would not require public assistance while awaiting collection. In addition, many lower income workers who may otherwise *qualify* for federally-funded legal aid through the Legal Services Corporation are likely to be turned away because the LSC, and their local legal aid programs, are woefully under funded. Employer-provided group legal services plans can help fill the justice gap.