

NO. 14-20039

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IN THE  
UNITED STATES COURT OF APPEALS  
FOR THE FIFTH CIRCUIT

STEVEN F. HOTZE, M.D., *et al.*  
*Plaintiffs-Appellants,*

v.

KATHLEEN SEBELIUS, SECRETARY,  
DEPARTMENT OF HEALTH AND HUMAN SERVICES,  
*Defendant-Appellee.*

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*On Appeal from the United States District Court  
for the Southern District of Texas, Houston Division  
Honorable Nancy F. Atlas, District Judge*

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**BRIEF OF AMICI CURIAE U.S. REPRESENTATIVES TRENT FRANKS,  
MICHELE BACHMANN, JOE BARTON, KERRY L. BENTIVOLIO, MARSHA  
BLACKBURN, JIM BRIDENSTINE, MO BROOKS, STEVE CHABOT, K. MICHAEL  
CONAWAY, RON DESANTIS, JEFF DUNCAN, JOHN DUNCAN, JOHN FLEMING,  
BOB GIBBS, LOUIE GOHMERT, ANDY HARRIS, TIM HUELSKAMP, WALTER B.  
JONES, JR., JIM JORDAN, STEVE KING, DOUG LAMALFA, DOUG LAMBORN,  
BOB LATTA, THOMAS MASSIE, MARK MEADOWS, MARKWAYNE MULLIN,  
RANDY NEUGEBAUER, STEVAN PEARCE, ROBERT PITTENGER, BILL POSEY,  
DAVID P. ROE, TODD ROKITA, MATT SALMON, MARK SANFORD, DAVID  
SCHWEIKERT, MARLIN A. STUTZMAN, LEE TERRY, TIM WALBERG, RANDY K.  
WEBER, SR., BRAD R. WENSTRUP, LYNE A. WESTMORELAND, ROB WITTMAN,  
AND TED S. YOHO, IN SUPPORT OF APPELLANTS SEEKING REVERSAL**

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Jacki Pick  
1124 Hidden Ridge Dr., #2130  
Irving, TX 75038  
[jpick@tesla.net](mailto:jpick@tesla.net)  
(703) 418-0287  
*Of Counsel*

Date: May 14, 2014

Joseph E. Schmitz  
*Counsel of Record*  
JOSEPH E. SCHMITZ, PLLC  
5502 Parkston Road  
Bethesda, MD 20816  
[jschmitz@jespllc.com](mailto:jschmitz@jespllc.com)  
(703) 992-3095

Paul D. Kamenar  
1629 K Street, N.W.  
Suite 300  
Washington, DC 20006  
[Paul.kamenar@gmail.com](mailto:Paul.kamenar@gmail.com)  
(202) 603-5397

Counsel for Congressional *Amici Curiae*

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## SUPPLEMENTAL CERTIFICATE OF INTERESTED PERSONS

The undersigned counsel certifies that the following Congressional *amici*

*curiae* have an interest in this case:

1. Rep. Trent Franks
2. Rep. Michele Bachmann
3. Rep. Joe Barton
4. Rep. Kerry L. Bentivolio
5. Rep. Marsha Blackburn
6. Rep. Jim Bridenstine
7. Rep. Mo Brooks
8. Rep. Steve Chabot
9. Rep. K. Michael Conaway
10. Rep. Ron DeSantis
11. Rep. Jeff Duncan
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22. Rep. Doug Lamborn
23. Rep. Bob Latta
24. Rep. Thomas Massie
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27. Rep. Randy Neugebauer
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32. Rep. Todd Rokita
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34. Rep. Mark Sanford

35. Rep. David Schweikert
36. Rep. Marlin A. Stutzman
37. Rep. Lee Terry
38. Rep. Tim Walberg
39. Rep. Randy K. Weber, Sr.
40. Rep. Brad R. Wenstrup
41. Rep. Lyne A. Westmoreland
42. Rep. Rob Wittman
43. Rep. Ted S. Yoho

Undersigned counsel further certifies that the following counsel of *amici* are  
“interested persons” under Rule 28.2.1:

Joseph E. Schmitz

Paul D. Kamenar

Jacki Pick

/s/ Joseph E. Schmitz

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### ***INTERESTS OF AMICI CURIAE***

U.S. Representative Trent Franks is Chairman of the House Judiciary's Subcommittee on the Constitution and Civil Justice. As Chairman, he is the senior member of the House of Representatives specifically charged with jurisdiction over constitutional amendments, constitutional rights, and ethics in government, among other issues. *Amici* all serve as the immediate representatives of their constituents in the chamber most accountable to them and were constitutionally guaranteed the exclusive prerogative of introducing bills for drawing forth a national revenue under the Origination Clause, Article I, section 7, clause 1 of the Constitution. The Senate violated this constitutional safeguard when it "amended" a House bill designed to reduce taxes by substituting the legislative substance of The Patient Protection and Affordable Care Act (ACA), which was one of the largest tax increases in American history,<sup>1</sup> estimated to raise \$675 billion in revenue.

The interests of the *amici* are in protecting their constitutionally guaranteed prerogative and the separation of powers the Origination Clause was meant to ensure. *Amici* are duty bound by their oath of office to "support and defend the Constitution" and their unique positions as the exclusive trustees of the original exercise of the national taxing power.

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<sup>1</sup> <http://www.factcheck.org/2012/07/biggest-tax-increase-in-history/>.

To that end, *amici* have co-sponsored H. Res. 153 (113<sup>th</sup> Cong., 1<sup>st</sup> Sess.), expressing the Sense of the House of Representatives that ACA “violates article I, section 7, clause 1 of the United States Constitution because it was a ‘Bill for raising Revenue’ that did not originate in the House or Representatives.”<sup>2</sup> They also filed an *amici* brief in the related appeal, *Sissel v. HHS* (D.C. Cir. No. 13-5202). On April 29, 2014, Representative Franks, as Chairman of the House Judiciary Subcommittee on the Constitution, held a hearing on the Origination Clause.<sup>3</sup>

### **BACKGROUND AND SUMMARY OF ARGUMENT**

On October 8, 2009, the House unanimously passed the six-page “Service Members Home Ownership Tax Act” (“SMHOTA”), H.R. 3590, which was intended *to reduce* taxes by providing a tax credit to certain veterans who purchased homes.<sup>4</sup>

The Senate “amended” H.R. 3590 by deleting its entire text and substituting the 2,074 page bill, referred to by Senate Majority Leader Harry Reid as the

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<sup>2</sup> *See* Addendum A.

<sup>3</sup> <http://judiciary.house.gov/index.cfm/hearings?ID=2F62DFDF-BDBB-4E1C-9203-D181273B1CC1>.

<sup>4</sup> *See* Addendum B.

“Senate Health Care Bill,”<sup>5</sup> which included 17 specifically denominated revenue provisions, including the penalty or “tax” imposed on those non-exempt persons who fail to buy a government approved health insurance policy. 26 U.S.C. §5000A.<sup>6</sup> The Congressional Budget Office estimated that the bill would increase revenue by \$486 billion between 2010 and 2019, one of the largest tax increases in American history.<sup>7</sup> The Senate returned to the House the “Senate Health Care Bill” with the H.R. 3590 number affixed to it, whereupon it was rushed into passage by the Democratic controlled House without a single Republican vote. On March 23, 2010, the President signed “The Patient Protection and Affordable Care Act,” Pub. L. 111-148 (hereinafter “ACA”).

The legal arguments in this case are straightforward. The Origination Clause provides that “All Bills for raising Revenue shall originate in the House; but the Senate may propose or concur with Amendments as on other Bills.” The “Senate Health Care Bill,” one the largest tax increases in American history, did not originate in the House simply by virtue of keeping a House bill number.<sup>8</sup>

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<sup>5</sup> [http://www.reid.senate.gov/press\\_releases/reid-unveils-senate-health-care-bill#.U2KlLcsU9lb](http://www.reid.senate.gov/press_releases/reid-unveils-senate-health-care-bill#.U2KlLcsU9lb); [http://www.reid.senate.gov/press\\_releases/reid-unveils-final-senate-health-care-bill#.U2Kk-8sU9lb](http://www.reid.senate.gov/press_releases/reid-unveils-final-senate-health-care-bill#.U2Kk-8sU9lb).

<sup>6</sup> See Pub. L. No. 111-148 §§ 1513, 9001-9017, and Addendum C for a list and description of all the “tax hikes.”

<sup>7</sup> <http://www.cbo.gov/publication/24998>.

<sup>8</sup> One scholar recently noted, “As a constitutional questions go, this is as easy as it gets.” Randy Barnett, “The Origination Clause and the problem of ‘double deference’,” *Washington Post*, March 12, 2014, available at

*Amici* argue in the alternative, that even if it had originated in the House, the Senate's substituting the Senate Health Care Bill for SMHOTA was unconstitutional for two reasons: (1) SMHOTA was not a revenue raising measure to which the Senate might amend under the second prong of the Origination Clause; and (2) even if it were, the total "gut and replace" Senate amendment was not germane to the subject matter of the House bill.

The Origination Clause was a key provision upon which the Founders insisted to protect the American people from confiscatory taxes; they reposed such power to initiate any taxes in the "People's House" to be exercised by those representatives closest to the citizens. The Origination Clause thus serves an important bulwark to protect liberty. If the interpretation of the Origination Clause by the court below is not reversed, that Clause will be rendered a dead letter.

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<http://www.washingtonpost.com/news/volokh-conspiracy/wp/2014/03/12/the-origination-clause-and-the-problem-of-double-deference/>.

## ARGUMENT

### I. THE ORIGINATION CLAUSE IS A PROVISION FOR THE SEPARATION OF POWERS WITHIN THE LEGISLATIVE BRANCH THAT SAFEGUARDS LIBERTY

*“Provisions for the separation of powers within the legislative branch are . . . not different in kind from provisions concerning relations between the branches; both sets of provisions safeguard liberty.”<sup>9</sup>*

The Origination Clause embodies a foundational principle of American jurisprudence that offers a structural constitutional protection against abuses of power by the national government. Without its guarantee in the 1787 Convention and ensuing ratification debates, our Constitution would not exist, at least not in its present form: the restriction of the Senate from originating taxes was the “cornerstone of the accommodation” of the Great Compromise of 1787 which satisfied the necessary number of states to ratify the Constitution.<sup>10</sup> As such, the legislation before this Court not only impacts the House of Representatives’ prerogatives of *amici*, but more importantly is a fundamental violation of one of America’s most foundational principles: the separation of powers within a national

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<sup>9</sup> *United States v. Munoz-Flores*, 495 U.S. 385, 395 (1990).

<sup>10</sup> Delegate Elbridge Gerry, *quoted in* James Madison, *Notes on the Debates in the Federal Convention of 1787*, at 290 (New York, Norton & Company Inc., 1969) [hereinafter Madison].

government of limited powers and the guarantee of no taxation without representation.<sup>11</sup>

No American court has ever allowed taxes enacted into law in this manner and on this scale to become the law of the land.<sup>12</sup> Doing so now would wholly disregard and effectively nullify the plain letter and spirit of the Origination Clause. The gravity of the principle at stake, coupled with the Supreme Court’s most recent Origination Clause pronouncement that the “Court has the duty to review the constitutionality of [such] congressional enactments”<sup>13</sup> compels this Court to reaffirm the plain guarantee in the Origination Clause that only the immediate representatives of “the People” in the House can constitutionally originate the imposition of taxes.

### **A. The Origination Clause Embodies a Foundational Principle**

*“[The] distinction between legislation and taxation is essentially necessary to liberty. . . . The Commons of America, represented in*

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<sup>11</sup> The Tenth Amendment jurisprudence relied on by the Supreme Court in *NFIB v. Sebelius*, 132 S. Ct. 2566 (2012), which struck down the Medicaid provisions by a vote of 7-2, provides a rule of construction on how this Court should interpret the Origination Clause: any ambiguities should be interpreted in favor of protecting liberty. *See United States v. Butler*, 297 U.S. 1, 69 (1936) (“resort to the taxing power to effectuate an end which is not legitimate, not within the scope of the Constitution, is obviously inadmissible”).

<sup>12</sup> On the contrary, the excise tax on Cotton Futures Contracts was struck down for violating the Origination Clause. *See Hubbard v. Lowe*, 226 F. 135, 141 (S.D.N.Y. 1915) (“The Cotton Futures Act is not, and never was, a law of the United States. It is one of those legislative projects which, to be a law, must originate in the lower house.”).

<sup>13</sup> *Munoz-Flores*, 495 U.S. at 391.

*their several assemblies, have ever been in possession of the exercise of this their constitutional right of giving and granting their own money. They would have been slaves if they had not enjoyed it.*"<sup>14</sup>

Few clauses in our Constitution have such a rich and clear historical significance as the Origination Clause.<sup>15</sup> With its origins in the Magna Carta, the Commons of England fought to preserve and strengthen this right for 500 years before the principle was firmly solidified by the late 17<sup>th</sup> Century in English Parliamentary custom.<sup>16</sup> No principle's neglect has been as responsible for undermining the legitimacy of English speaking governments as the neglect by kings, legislatures, and courts alike of the Origination principle.

To illustrate the strength of the point, consider the decapitation of King Charles I in 1649 following the 30 Years War, and the deposing of King James II following the Glorious Revolution of 1688. These dramatic acts, carried out during America's colonial period, resulted in the British Bill of Rights in the late

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<sup>14</sup> William Pitt, *On an Address to the Throne, in Which the Right of Taxing America is Discussed* (December, 17, 1765) (Protesting the Stamp Act on behalf of the colonists), in Robert Cochrane, *The Treasury of British Eloquence*, 140-41 (W.P. Nimmo, London and Edinburgh, 1877).

<sup>15</sup> For a detailed account of the origins of the Origination Clause, see Priscilla Zotti & Nicholas Schmitz, *The Origination Clause: Meaning, Precedent, and Theory from the 12th to 21st Century*, 3 *Brit. J. Am. Legal Stud.* 71 (2014) [hereinafter "Zotti & Schmitz"].

<sup>16</sup> Noel Sargent, *Bills for Raising Revenue under the Federal and State Constitutions*, 4 *Minn. L. Rev.* 330, 334 (1919-1920) ("In the British Parliament, in 1678, it was settled that: (1) 'all bills for purpose of taxation, *or containing clauses imposing a tax*, must originate in the House of Commons and not in the House of Lords'." (emphasis added)).

1680s, which contained one of the early iterations of the Origination Clause.<sup>17</sup> The principle of taxation only by the immediate representatives of the people was so firmly rooted in the English tradition, that its implementation on the American side of the Atlantic was nearly universal in colonial and early state legislatures.

Where Royal charters did not explicitly guarantee the early American colonists this prerogative, they seized it. Under the various names of “House of Delegates,” “Burgesses,” “Commons,” or “Representatives,” the colonists’ lower houses – those closest to the people – were commonly vested with the exclusive right of originating taxes.<sup>18</sup>

Our Founders – often the same individuals who worked to draft the state constitutions with Origination Clauses – enshrined this central procedural limitation on governmental power to “originate Bills for raising Revenue” in Article 1, §7, of our current Constitution.

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<sup>17</sup> See British Bill of Rights, 1 Will. & Mary, Sess. 2, c. 2., § 4 (1688) (“That levying money for or to the use of the crown, by pretense of prerogative, without grant of parliament, for longer time, or in other manner than the same is or shall be granted, is illegal.”).

<sup>18</sup> See, e.g., “An ACT against raising of Money within this Province, without Consent of the Assembly” (1650), reprinted in 75 Thomas Bacon, *The Laws of Maryland* ch. XXV, 37-38 (1765).

## **B. The Origination Clause Was a Precondition to the Ratification of the Constitution**

*“In short the acceptance of the plan [U.S. Constitution] will inevitably fail, if the Senate be not restrained from originating Money bills.”*<sup>19</sup>

The principle behind the Origination Clause – sometimes phrased as “No Taxation Without Representation” – was the moral justification for our War of Independence. With this war for freedom and liberty in mind, the Origination Clause of our Constitution was written; and without it at the core of the “Great Compromise of 1787,” the 13 original States would never have agreed to ratify the Constitution.

The primary dividing issue between the delegates to the Constitutional Convention of 1787 was the question of how to resolve the method of representation in the upper chamber. The small states preferred to retain the equal representation they had enjoyed under the Articles of Confederation, while the large states wanted to shift the national legislature to a proportional representation of the American population. No disagreement threatened the success of the Convention and the new Constitution more than this one. After a month of heated debate and threats of secession, the delegates finally agreed to the Great Compromise of 1787: a bicameral legislature with equal representation of States

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<sup>19</sup> Madison, *supra*, at 445 (Delegate Elbridge Gerry arguing that the Convention delegates would not sign, and the states would not ratify any new federal Constitution that did not restrict the Senate from originating taxes).

in the upper branch, and proportional representation of the nation in the lower branch. That Great Compromise was only made possible by agreement of both sides *to restrict* the upper branch from originating money bills.<sup>20</sup>

**C. The Origination Clause Is a Substantive Structural Protection, Not an Accounting Gimmick**

Our Founders were justifiably concerned that the power to raise and levy taxes should originate in the People’s House, whose Members are closest to the electorate, with two-year terms.<sup>21</sup> The Senators, by contrast, sit unchallenged for the better part of a decade, do not proportionally represent the American population, and already enjoy their own unique and separate powers intentionally divided by the Founders between the two chambers.

On an even more basic level, a Senate unrestricted from the confines of the Origination Clause would blur the fundamental separation of powers within the legislative branch. The power of the purse was unquestionably reposed in the People’s House, and it has remained in that chamber throughout our history. If the Senate can introduce the largest tax increase in American history by simply peeling off the House number from a six-page unrelated bill which does not raise taxes and pasting it on the “Senate Health Care Bill,” and then claim with a straight face that

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<sup>20</sup> *See id.*

<sup>21</sup> *The Federalist No. 52* (James Madison).

the resulting bill originated in the House, in explicit contravention of the supreme law of the land, then the American “rule of law” has become no rule at all.

## **II. THE HISTORY AND PURPOSE OF THE ORIGINATION CLAUSE COMPEL THIS COURT TO CONCLUDE THAT THE MASSIVE TAXES THAT ORIGINATED AS THE “SENATE HEALTH CARE BILL” VIOLATED THE SEPARATION OF POWERS BETWEEN THE TWO CHAMBERS**

Incredibly, the district court managed to issue a major ruling on the meaning of the Origination Clause without citing a single historical reference to the Founders or the Ratifiers. This is all the more remarkable inasmuch as the court itself acknowledged that the relevant jurisprudence is “sparse.” ROA 215.

Even if one views the Constitution as an evolving compact, a modern application of Origination Clause principles to today’s political reality and circumstances would favor re-affirmance of the Origination Clause as a meaningful check on abuses of power. The dangers to the liberty and property of Americans from Senate transgressions of the Origination Clause are greater today for several reasons, not the least of which is that the Constitution was substantially amended in 1913 to expand Congress’ power to create a federal income tax. Accordingly, the courts should be increasingly vigilant in applying applicable Constitutional limitations, including the Origination Clause.

At the 1787 Constitutional Convention, George Mason stated the reasons for the impropriety of Senate tax originations:

The Senate did not represent the *people*, but the *States* in their political character. It was improper therefore that it should tax the people. . . . Again, the Senate is not like the H. of Representatives chosen frequently and obliged to return frequently among the people. They are chosen by the Sts for 6 years, will probably settle themselves at the seat of Govt. will pursue schemes for their aggrandizement – will be able by weary[ing] out the H. of Reps. and taking advantage of their impatience at the close of a long Session, to extort measures for that purpose.<sup>22</sup>

The ratification debates confirmed this distinction, as summarized by Delegate James Wilson of Pennsylvania: “The two branches will serve as checks upon the other; they have the same legislative authorities, except in one instance. Money bills must originate in the House of Representatives.”<sup>23</sup>

**A. Despite The Direct Election Of Senators Under The Seventeenth Amendment, The Senate Does Not Represent The People In The Same Way As Does The House**

Since 1789, this legal distinction between the People and the States has endured. One of the more obvious reasons for this distinction is representational equality: two Senators from Wyoming (population 570,000) should not enjoy an equal vote on new tax schemes as the two Senators from California (population 38,000,000). Contrast the Senate’s staggering representational inequity to the

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<sup>22</sup> Madison, *supra*, at 443 (James Madison arguing for the necessity of the clause in the Constitutional Convention on August 13, 1787).

<sup>23</sup> James Wilson *quoted in* “*The Pennsylvania Convention Debates*” (December 1, 1787) *reprinted in The Documentary History of the Ratification of the Constitution Digital Edition*, 451, available at <http://rotunda.upress.virginia.edu/founders/RNCN> [hereinafter “History”].

inherent equality of the House of Representatives: the single member of the House of Representatives from Wyoming represents roughly the same number of constituents as any given member of the House of Representatives from California (approximately 550,000 constituents), and both have equal votes and voices as to the question of whether to impose a tax on each individual citizen.

The ratifying public understood the distinction between representation of the People in the House, and representation of the States in the Senate, and for this reason expressed reservations in 1787 over even granting the Senate the power to agree, amend, or refuse revenue raising bills from the House, let alone permitting the Senate to *originate* tax bills such as ACA.<sup>24</sup>

Moreover, the Founders' provision of the election of Senators by State legislatures instead of the electorate ("the People") further demonstrates the Senate's representation of State's interests rather than the People's interests. To be

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<sup>24</sup> For example, during the Ratification process, Madison responded to Virginia's Anti-Federalist Mr. Grayson's fear that "amendment" power by the Senate was equivalent to "origination" by assuring him in a somewhat dismissive fashion as follows:

The criticism made by the Honorable Member, is, that there is an ambiguity in the words, and that it is not clearly ascertained where the origination of money bills may take place. I suppose the first part of the clause is sufficiently expressed to exclude all doubts. . . . Virginia and South-Carolina, are, I think, the only States where this power is restrained [no Senate amendments at all to revenue bills]. In Massachusetts, and other States, the [limited] power of proposing amendments is vested unquestionably in their Senates. No inconvenience has resulted from it.

See Zotti & Schmitz, *supra*, at 115.

sure, the adoption of the 17<sup>th</sup> Amendment in 1913 provided for direct election of the Senate by the people instead of state legislatures. But that method of election does not change the fundamental difference between the House and the Senate; it did not make the Senate another “People’s House.”

Accordingly, the Senate cannot be the first to propose taxes such as those in ACA, a \$675 billion revenue raising bill with 20 new taxes.<sup>25</sup>

**B. The Framers Chose The House To Originate Taxes Because The House Is Accountable To The People Every Two Years, While Senators Are Accountable Only Every Six Years**

The Framers made an informed policy decision that six years is too long for federal officers to remain unaccountable for the origination of taxes. Annual elections were the standard for bodies of representative assemblies empowered to originate money bills in the founding era.<sup>26</sup>

Given the intensity of the debate in determining whether two-year terms were conducive to representative democracy when one-year terms were the norm, it is clear that officials who sit unchallenged for the greater part of a decade may not originate tax bills. The ratifying public was also clear that they considered it a protection of their liberty that they could frequently hold accountable public officials for tax originations:

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<sup>25</sup> See Addendum C.

<sup>26</sup> See Madison, *supra*, at 457.

Who are the members that constitute this [House of Representatives] body – the *people* or their representatives? Can they do any act that they themselves are not bound by; and if they lay *excessive taxes*, the people will have it in their power to return other men (vide section 7th of 1st [Article] for the origination of *revenue bill*).<sup>27</sup>

It was no surprise, therefore, that in 2010 the party that did not cast a single vote in the House in favor of ACA in 2009 gained the largest seat change for a midterm election since 1938. The entire House was up for re-election. The Senate, by contrast, enjoyed having two-thirds of its members insulated from popular accountability for the measures they had passed the preceding years.

The separation of power “check” provided by the Origination Clause lets the electorate know exactly who is responsible for proposing taxes and assures that these individuals are subject to removal from office most frequently. Since the 2010 elections, the House has voted some 40 times to repeal or defund ACA, but the Senators, who sit for six years unchallenged, have never agreed.<sup>28</sup> The Framers’ fear of taxation without adequate representation has materialized due to the complete disregard of the mandates of the Origination Clause by the U.S. Senate.

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<sup>27</sup> History, *supra*, at 411 (John Smilie, *quoted in The Pennsylvania Convention Debates* (Nov. 28, 1787).

<sup>28</sup> Tom Cohen, *House GOP Launches Shutdown Battle by Voting to Defund Obamacare*, CNN (Sept. 20, 2013) <http://www.cnn.com/2013/09/20/politics/congress-spending-showdown/>.

### III. THE “SENATE HEALTH CARE BILL,” WHICH IMPOSED THE LARGEST TAX INCREASE IN AMERICAN HISTORY, WAS INDISPUTABLY A “BILL FOR RAISING REVENUE” UNDER THE ORIGINATION CLAUSE

The lower court reasoned that while the individual mandate and employer mandate raise revenue, “These mandates . . . are but a means to an end, which is to advance health care coverage.” ROA 219. Relying heavily on the decision in *Sissel v. Dep’t of Health and Human Services*, 951 F. Supp. 2d 159 (D.D.C. 2013), the lower court held that, “Accordingly, neither the ACA as a whole nor the individual and employer mandates *per se* within the act are a ‘Bill[] for raising Revenue’ subject to the Origination Clause.” ROA 221. The court was wrong in its reasoning and in its holding. *Amici* will first address in this section the issue of whether ACA was a Bill for raising revenue and then address the Senate amendment provision of the Origination Clause in Part IV.

#### A. The “Senate Health Care Bill” Is Designed to Raise Billions in Revenue for the General Treasury

While just the individual mandate of ACA is concededly designed to raise over 36 billion dollars in revenue, the companion revenue raising provisions of ACA, ignored by the district court, further demonstrate that the “Senate Health Care Bill” is indeed a massive \$675 billion dollar revenue raising bill. *See* Addendum C.

To ignore the gross difference in scope and scale between the revenue raising nature of all the provisions that make up the “Senate Health Care Bill” and the nature of the revenue provisions in the handful of prior Origination Clause cases would do great violence to the Origination Clause and all future massive revenue raising bills. Given that an Origination Clause challenge against a taxing bill of this magnitude has never before been mounted, it is imperative that this Court not sanction the lower court’s superficial analysis of the Origination Clause.

**B. The “Purposive” Test Has No Basis in the History of the Origination Clause**

The *Sissel* decision upon which the lower court heavily relies narrowly focused on the preposition “for” in the Origination Clause (“Bills *for* raising Revenue”), and held that for any bill that originated in the Senate to be found in violation of the Origination Clause, the Senate had to specifically and primarily intend, expressly or impliedly, that such revenue, no matter how massive in amount, was “for” the primary purpose of raising revenue and not “for” some other or secondary purpose, regardless of the amount of taxes imposed. *See* ROA 219. This “purposive” test has no basis in the text or constitutional history of the Origination Clause; the lower court’s reliance on *United States v. Munoz-Flores*, 495 U.S. 385 (1990) to the contrary was seriously misplaced.

## 1. Early American Experience with Taxes

The Colonists thought that anything that taxed them at all *for any reason* was a “money bill” and therefore subject to origination restrictions.

As previously noted, all but one of the first 13 States included an Origination Clause provision in their respective constitutions, and 11 of those did not have a “purposive” test. The Massachusetts Constitution of 1780 was quite explicit and formed the basis of the imported final language of the Federal clause:

[N]o subsidy, charge, tax, impost, or duties, ought to be established, fixed, laid, or levied, under any pretext whatsoever, without the consent of the people, or their representatives in the legislature. . . . [and] *all money-bills* shall originate in the House of Representatives; but the Senate may propose or concur with amendments, as on other bills.<sup>29</sup>

## 2. Modification of the Proposed Origination Clause

More compelling evidence that the Founders intended the expansive definition of what is a revenue bill or “money bill” was the modification of the proposed Origination Clause itself.

On August 13, 1787, the Framers were debating a draft version of the Origination Clause that read “Bills for raising money *for the purpose of revenue* or for appropriating the same shall originate in the House of Representatives . . . .” Madison, *supra*, at 442 (emphasis in the original). Significantly, the final version dropped the words “for purpose of revenue.” In doing so, they appeared to have

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<sup>29</sup> Mass. Const. (1780) (emphasis added).

decided that the term “money bills” was a synonym for “bills for raising money” without the limiting “*for the purpose of revenue*” clause. In short, the lower court created a “purposive” test without any historical basis.

Early judicial opinions further demonstrate the Founders’ broad meaning of “bills for raising revenue.” For example, in *United States v. James*, 26 F. Cas. 577, 578 (C.C.S.D.N.Y. 1875), the court opined:

Certain legislative measures are unmistakably bills for raising revenue. These impose taxes upon the people, either directly or indirectly. . . . In respect to such bills it was reasonable that the immediate representatives of the taxpayers should alone have the power to originate them.

Moreover, *amici* submit that the Origination Clause should be read *in pari materia* with Article I, section 8, clause 1, the power “to lay and collect taxes, duties, imposts, and excises.”

It was this “taxing power” provision upon which the Supreme Court upheld the penalty imposed under the individual mandate, and which prompted Chief Justice Roberts to issue this important caveat: “[e]ven if the taxing power enables Congress to impose a tax on not obtaining health insurance, any tax must still comply with other requirements in the Constitution.” *NFIB v. Sebelius*, 132 S. Ct. 2566, 2598 (2012). In other words, the Constitution gives Congress as a whole the “power to lay and collect taxes”, but any bill *laying* such taxes must originate in the House under the Origination Clause.

**C. *Munoz-Flores* Does Not Support The Lower Court’s “Purposive” Test With Respect To The Billions Raised Under ACA**

According to the lower court’s reading of the Supreme Court’s 1990 decision in *Munoz-Flores*, “the Supreme Court has consistently interpreted the phrase ‘raising revenue’ narrowly to apply only to those bills, or provisions of bills, whose *primary purpose* is the collection of revenue.” ROA217 (emphasis in original). *Accord Sissel*, 951 F. Supp. 2d at 168. This conclusion is clearly erroneous.

In *Munoz-Flores*, the Court was considering a challenge to the \$25 assessment levied on defendant convicted of federal immigration violation and whether that provision imposing the small assessment was a “Bill for raising revenue” under the Origination Clause. 495 U.S. at 385. The amounts so collected were to be deposited in a special Victims Fund that was capped, with residual funds, if any, to be deposited in the General Treasury.

Over the government’s strong objections that the Court should not even entertain the question because to do so would raise a political question and improperly interfere with Congress’s internal procedures, the Supreme Court was emphatic that the Origination Clause challenge is justiciable. *Id.* at 401. In reaching the merits, the Court concluded that the assessment provision was not a Bill for raising revenue for the General Treasury because the fines were earmarked for a special Victims Fund, *and* that only “incidentally” *if* there were any excess

funds in the account and those were deposited in the General Treasury, that fact will not subject the assessment provision to the Origination Clause. *Id.* at 399.

Both *Sissel* and the lower court seriously misconstrued the “incidental” language used in *Munoz-Flores*. The lower court interpreted “incidental” not as the Supreme Court meant, *i.e.*, residual or excess revenue in a relatively small amount that may be deposited in the Treasury; rather, both *Sissel* and the lower court seem to interpret the word “incidental” to mean “connected with” or “related to” a legislative program that is the subject matter of the law.

Here is what the *Munoz-Flores* Court stated:

As in *Nebeker* and *Millard*, then, the special assessment provision was passed as part of a particular program to provide money for that program – the Crime Victims Fund. Although *any* excess was to go to the Treasury, there is no evidence that Congress contemplated the possibility of a substantial excess, *nor did such an excess in fact materialize*. Any revenue for the general Treasury that § 3013 creates is *thus* "incidenta[l]" to that provision's primary purpose.

495 U.S. at 399 (emphasis added).

*Munoz-Flores* does not support *Sissel*'s and the lower court's “purposive” test. Under the lower court's interpretation of *Munoz-Flores*, the Senate could have originated a bill raising billions of dollars “for the purpose of building new prisons” that would be needed because of increased incarceration caused by the Sentencing Reform Act and the bill would not be subject to the Origination Clause, even if that revenue were deposited in the Treasury. This radical and sweeping

interpretation, nowhere found in *Munoz-Flores*, would render the Origination Clause a nullity.

In stark contrast to the small earmarked assessments in *Munoz-Flores*, all of the hundreds of billions to be raised by the penalty provision under the Individual Mandate and other tax provisions go directly into the Treasury. None of those funds are earmarked for a specific program in ACA. That distinction alone should suffice to demonstrate the lower court's error.

Moreover, the lower court's conclusion – that, “While some revenue under these mandates will be paid to the general Treasury, those payments are only ‘incidental’ to the ACA’s ‘overarching purpose’” (ROA 220) – also badly mangles *Munoz-Flores*'s meaning of the word “incidental,” a term which had nothing to do with the “purpose” of the Victims Fund or the “purpose” of ACA.

Accordingly, the Senate Health Care Bill was a “Bill for raising Revenue,” and thus satisfies the first prong on the Origination Clause.

**IV. EVEN IF THE “SENATE HEALTH CARE BILL” ORIGINATED IN THE HOUSE, THE SENATE AMENDMENT GUTTING THE SIX-PAGE HOUSE TAX CREDIT BILL AND REPLACING IT WITH THE 2,047 PAGE ACA IMPOSING \$675 BILLION IN TAXES WAS AN IMPERMISSIBLE, NONGERMANE AMENDMENT**

While the court below held, incorrectly in our view, that ACA was not “a ‘Bill[] for raising Revenue’ subject to the Origination Clause” (ROA 221), the court assumed it did for purposes of its analysis of the second prong of the

Origination Clause: whether the Senate amendment to the House bill was valid. The district court held that, “H.R. 3590 originated in the House and was later amended in a manner ‘germane’ to the original bill.” ROA 226. The district court erred.

### **A. The “Senate Health Care Bill” Originated In The Senate**

Most of the *amici* were in the House of Representatives during what can only be described as the tumultuous and unconventional legislative process through which ACA originated and was enacted. In every plain English language sense of the word both today and in 1789, ACA “originated” in the Senate as Senator Reid’s self-described “Senate Health Care Bill.” The only part of ACA that originated in the House was the bill number – and chamber-specific bill designators did not even exist in the early Congresses.<sup>30</sup>

### **B. The “Senate Health Care Bill” Was Not Germane To The House Bill**

While the lower court, unlike the District Court in *Sissel*, correctly rejected any notion that it may be a non-justiciable question to determine the merits of whether ACA was a permissible amendment to the House bill citing *Munoz-Flores*

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<sup>30</sup> <http://memory.loc.gov/ammem/amlaw/lwhbsb.htm>.

(ROA 224 n. 55),<sup>31</sup> the lower court was wrong on the merits of the germaneness issue.

### **1. *The House Bill Was Not a Bill for Raising Revenue***

SMHOTA was intended to *reduce* taxes by providing a tax credit to certain veterans who purchase houses. *See* Addendum B. The lower court mistakenly suggests that SMHOTA “included both revenue raising and revenue decreasing provisions. Indeed, the entirety of that bill concerned revenue.” ROA 225. There were no “revenue raising” provisions in SMHOTA. As Section 6 of SMHOTA, entitled “TIME FOR PAYMENT OF CORPORATE ESTIMATE TAXES,” makes clear, the corporate tax-related provision was merely a withholding modification that doesn’t raise revenue or tax rates, but merely collects a small amount more than may otherwise be due, which amount may be refunded or adjusted once the corporation files its annual return.<sup>32</sup> In short, since H.R. 3590 was not a bill for raising revenue, this Court can summarily reverse the district court since the Senate Health Care Bill did not “amend” a House revenue bill.

Assuming *arguendo* that H.R. 3590 was a bill for raising revenue, the lower court concluded: “The ACA, a much longer bill, included provisions that were

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<sup>31</sup> *Munoz-Flores* rejected the “enrolled bill” approach in *Rainey v. United States*, 232 U.S. 310 (1914). *Munoz-Flores*, 495 U.S. at 396.

<sup>32</sup> *See Baral v. United States*, 528 U.S. 431, 436 (2000) (“Withholding and estimated tax remittances are not taxes in their own right, but methods for collecting the income tax.”).

revenue-raising (such as the individual and employer mandates) and provisions which did not touch on revenue at all. Because both versions of the bill *concerned* revenue, any applicable germaneness requirement is met here. ROA 225 (emphasis added)

Notwithstanding the lower court's conclusion that, both versions of the bill merely "*concerned* revenue," any argument that the Senate Health Care Bill for Origination Clause purposes was "germane" to the House bill must necessarily fail since the only "germaneness" between ACA's massive taxes and the original H.R. 3590 was the word "tax" that appeared in the House Bill. If this is all that is necessary to pass muster under the Origination Clause, the Senate could, for example, take a House bill that simply changed the due date of tax returns from April 15 to April 1 (and thus merely collected taxes otherwise due two weeks earlier) and gut and replace it with one of the largest tax increases in history. The reasoning by the court below that would lead to such absurd results is patently erroneous in light of both constitutional history and judicial precedent. As explained below, the lower court would allow the limited power of the Senate to amend a revenue bill to swallow up the broader power of the House to originate such bill.

***2. Even If The Original H.R. 3590 Were a Bill for Raising Revenue, The “Senate Health Care Bill” Was an Impermissible Substitute Amendment To The House Bill***

Even if H.R. 3590 were originally approved by the House as a bill for raising revenue, which it was not, the conversion of that House bill into a “shell bill” by means of a total substitution of its text with the non-germane text of the “Senate Health Care Bill,” was not a permissible “amendment” as our Founders understood that term. Moreover, this elevation of form over substance is contrary to how even the Senate has heretofore exercised its power to amend “Bills for raising Revenue.” Any Senate amendment to a House bill that has the effect of raising revenue must be “germane to the subject-matter of the [House] bill,” not just to one small provision in that bill as the lower court wrongly assumed.<sup>33</sup> The historical practice of determining “germaneness” as well as Supreme Court precedent does not support the lower court’s novel expansion of the Senate’s limited amendment power.

The House has always recognized the principle that the Senate may not design new tax bills. Indeed, when the Framers wrote the Origination Clause, it was clear that the scope of permissible amendments “as on other bills” – regardless of whether or not the bill was for raising revenue – did not include amendments

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<sup>33</sup> See *Flint v. Stone Tracy Co.*, 220 U.S. 107, 143 (1911).

that were not germane to the subject matter of the bill.<sup>34</sup> This was the established standard when the Founders during the Constitutional Convention penned the words “the Senate may propose or concur with Amendments as on other Bills.”<sup>35</sup> In short, no non-germane substitute amendments at all were permitted in 1787 by the unicameral Continental Congress.

After the Constitution was ratified, under our newly established bicameral legislature, designed as it was to prevent creative usurpations of the House’s right to “first ha[ve] and declare”<sup>36</sup> all new tax laws, the House insisted that any Senate amendments altering new tax measures must be germane to the subject matter of the original house revenue bill, not just that the word “tax” appears somewhere in the House bill. Indeed, this is the most direct and logical method to ensure that the Senate does not usurp the House’s taxing power. The House’s definition of this standard as applied to all legislative amendments has historically been quite clear and practicable:

When, therefore, it is objected that a proposed amendment is not in order because it is not germane, the meaning of the objection is simply that it (the proposed amendment) is a motion or proposition on a subject *different from that under consideration*. This is the test of

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<sup>34</sup> Asher Crosby Hinds, *Parliamentary Precedents of the House of Representatives of the United States* §1072 (U.S.GPO, 1899) (quoting Continental Congress rule that “No new motion or question or proposition shall be admitted under color of amendment as a substitute for a [pending bill] until [the bill] is postponed or disagreed to.”).

<sup>35</sup> See also Madison comment, note 26, *supra*.

<sup>36</sup> See *Laws of Maryland, supra*, ch. XXV, 37-38 (1765).

admissibility prescribed by the express language of the rule. (emphasis added).<sup>37</sup>

The Supreme Court in *Flint v. Stone Tracy*, *supra*, followed this historical practice and rule, finding that the Senate’s replacement of just one clause (the inheritance tax) among hundreds of other tax provisions in the Payne Aldrich Tariff Act with a corporate excise tax of equivalent revenue raising value was “germane to the subject-matter of the [House] bill and not beyond the power of the Senate to propose.” The court below ignored the context of this germaneness rule to the point of rendering it wholly meaningless. The Senate’s modest and germane amendment in *Flint* is substantially different, both qualitatively and quantitatively, from the Senate’s wholesale gut and replace of H.R. 3590 with the Senate Health Care Bill that became ACA. The two cases stand as polar opposites on any conceivable spectrum of germaneness.

The lower court misinterpreted *Flint* by erroneously concluding that as long as “both versions of the bill concerned revenue” (ROA 225), the Senate has carte blanche to originate massive new revenues as “amendments.” With a proper understanding of the history of the germaneness rules preceding *Flint*, the “Senate Health Care Bill” amendment to H.R. 3590 was not “germane to” SMHOTA simply because both bills “concerned revenue.”

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<sup>37</sup> Asher Crosby Hinds, *Parliamentary Precedents of the House of Representatives of the United States*, §5825 (1907).

The House has historically enforced the germaneness standard with respect to all legislative amendments, both revenue and non-revenue bills alike, since its earliest days. Moreover, the constitutional issue before this Court only concerns Senate modifications that convert a totally unrelated House measure, revenue raising or not, to a new and massive revenue raising bill. The Origination Clause provides the rule of legislative procedure in those cases. The internal procedural rules of either chamber cannot circumvent this requirement of the supreme law of the land.

The Senate's practice that its amendments to House bills need not be germane cannot possibly serve as the basis of the protection of the People's rights. It is totally at odds with normal Parliamentary procedure, both now and at the time that the Framers granted the Senate the power to amend "as on other bills."

This practice may be admissible in the context of non-revenue raising bills, but the Constitution expressly prohibits this mischief whenever the Senate endeavors effectively to originate taxes. With regard to the Origination Clause's allowance of the Senate to make "amendments" to House revenue bills "as on other bills," that practice must be viewed in the light of how such amendments were made to those "other Bills" *at the time* of the Constitution's ratification. Our Founders would not have countenanced the manner in which the "Senate Health Care Bill" was enacted nor would the First Congress in 1789.

In this case, any germaneness standard must mean something more – and indeed *amici* submit a lot more – than simply, as the court below put it, that “both versions of the bill concerned revenue.” ROA 225.

## CONCLUSION

What is most alarming and dangerous about this case is that the Senators knew exactly what they were doing in circumventing the Origination Clause. As explained by Senator Reid’s own “Senior Health Counsel”: “[B]asically, we needed a non-controversial House revenue measure to proceed to, so that is why we used the Service Members Home Ownership Tax Act. It wasn’t more complicated than that.”<sup>38</sup> From the perspective of these *amici* Members of the House of Representatives, it could not have been more contrary to the letter and spirit of the Origination Clause than that.

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<sup>38</sup> E-mail from Kate Leone, Senior Health Counsel, Office of Sen. Harry Reid, to John Cannan (Apr. 21, 2011, 3:25 p.m.), in John Cannan, *A Legislative History of the Affordable Care Act: How Legislative Procedure Shapes Legislative History*, 105 Law Libr. J. 131, n. 176 (2013).

Date: May 14, 2014

Respectfully submitted,

Jacki Pick  
1124 Hidden Ridge Dr., #2130  
Irving, TX 75038  
[jpick@tesla.net](mailto:jpick@tesla.net)  
(703) 418-0287  
*Of Counsel*

/s/ Joseph E. Schmitz  
Joseph E. Schmitz  
*Counsel of Record*  
JOSEPH E. SCHMITZ, PLLC  
5502 Parkston Road  
Bethesda, MD 20816  
[jschmitz@jespllc.com](mailto:jschmitz@jespllc.com)  
(703) 992-3095

Paul D. Kamenar  
1629 K Street, N.W.  
Suite 300  
Washington, DC 20006  
[paul.kamenar@gmail.com](mailto:paul.kamenar@gmail.com)  
(202) 603-5397

Counsel for Congressional *Amici Curiae*

\* Counsel acknowledge the invaluable assistance of Nicholas M. Schmitz, co-author of “The Origination Clause: Meaning, Precedent, and Theory from the 12<sup>th</sup> Century to the 21<sup>st</sup> Century,” a Rhodes Scholar, and graduate student at Stanford University, in preparing this *amici curiae* brief.

## CERTIFICATE OF COMPLIANCE

Pursuant to Rules 29(d) and 32(a) of the Federal Rules of Appellate Procedures, I certify that the attached *Amici Curiae*'s Brief is proportionately spaced, has a typeface of Times New Roman, 14 points, and contains 6,971 words, including footnotes, but excluding this Certificate of Compliance, the Supplemental Statement of Interested Persons, the Table of Authorities, the Table of Contents, the Addenda, and the Certificate of Service. I have relied on Microsoft Word's word calculation feature for the calculation.

/s/ Joseph E. Schmitz

# ADDENDUM A



113TH CONGRESS  
1ST SESSION

# H. RES. 153

Expressing the sense of the House of Representatives that the Patient Protection and Affordable Care Act of 2009 violates article I, section 7, clause 1 of the United States Constitution because it was a “Bill for raising Revenue” that did not originate in the House of Representatives.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 12, 2013

Mr. FRANKS of Arizona (for himself, Mr. GOHMERT, Mr. SALMON, Mr. STOCKMAN, Mr. BONNER, Mr. COBLE, Mr. PITTS, Mr. MCCLINTOCK, Mr. SHIMKUS, Mr. CAMPBELL, Mr. FLEMING, Mr. WESTMORELAND, Mr. SMITH of New Jersey, Mr. WILLIAMS, Mrs. BACHMANN, Mr. GARRETT, Mr. CARTER, Mr. SAM JOHNSON of Texas, Mr. SCHWEIKERT, and Mr. ISSA) submitted the following resolution; which was referred to the Committee on Ways and Means

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## RESOLUTION

Expressing the sense of the House of Representatives that the Patient Protection and Affordable Care Act of 2009 violates article I, section 7, clause 1 of the United States Constitution because it was a “Bill for raising Revenue” that did not originate in the House of Representatives.

Whereas article I, section 7, clause 1 of the United States Constitution provides that, “All Bills for raising Revenue shall originate in the House of Representatives”;

Whereas, on June 28, 2012, a majority of the United States Supreme Court held that the individual mandate provi-

sion of the Patient Protection and Affordable Care Act of 2009 “cannot be upheld as an exercise of Congress’s power under the Commerce Clause” but “was within Congress’s power to tax”;

Whereas the Patient Protection and Affordable Care Act of 2009 was originally introduced in the United States Congress by its sponsor as the “Senate health care bill” in the form of a Senate Amendment to H.R. 3590, which had passed the House of Representatives by a vote of 416–0 as the “Service Members Home Ownership Tax Act of 2009”;

Whereas there is ample evidence that the sponsors of the “Senate health care bill” not only contemplated the possibility of substantial excess revenues, but explicitly announced on its Senate introduction that, “This bill will cut the deficit by \$130 billion”;

Whereas section 1563 of the Senate amended H.R. 3590 explicitly stated that it was the “Sense of the Senate [that] this Act will reduce the Federal deficit between 2010 and 2019”, and “this Act will continue to reduce budget deficits after 2019.”; and

Whereas the “Senate health care bill” that the President ultimately signed as H.R. 3590 contains 17 numbered “Revenue Provisions”, none of which are germane to the subject matter of the original H.R. 3590, and nothing else in the “Senate health care bill” was germane to the subject matter of H.R. 3590: Now, therefore, be it

1       *Resolved*, That it is the sense of the House of Rep-  
2       resentatives that—

3               (1) the Patient Protection and Affordable Care  
4       Act of 2009 was a “Bill for raising Revenue” as

1 those words were intended to be understood in arti-  
2 cle I, section 7, clause 1 of the United States Con-  
3 stitution; and

4 (2) the Patient Protection and Affordable Care  
5 Act of 2009 did not originate in the House of Rep-  
6 resentatives.

○

# ADDENDUM B



111TH CONGRESS  
1ST SESSION

# H. R. 3590

To amend the Internal Revenue Code of 1986 to modify the first-time homebuyers credit in the case of members of the Armed Forces and certain other Federal employees, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 17, 2009

Mr. RANGEL (for himself, Mr. SKELTON, Mr. BLUMENAUER, Mr. KIND, Mr. JONES, Mr. KAGEN, Mr. STARK, Mr. LEVIN, Mr. McDERMOTT, Mr. LEWIS of Georgia, Mr. NEAL of Massachusetts, Mr. TANNER, Mr. BECERRA, Mr. DOGGETT, Mr. POMEROY, Mr. THOMPSON of California, Mr. LARSON of Connecticut, Mr. PASCRELL, Ms. BERKLEY, Mr. CROWLEY, Mr. MEEK of Florida, Mr. VAN HOLLEN, Ms. SCHWARTZ, Mr. DAVIS of Alabama, Mr. DAVIS of Illinois, Mr. ETHERIDGE, Ms. LINDA T. SÁNCHEZ of California, Mr. HIGGINS, Mr. YARMUTH, and Ms. GINNY BROWN-WAITE of Florida) introduced the following bill; which was referred to the Committee on Ways and Means

---

## A BILL

To amend the Internal Revenue Code of 1986 to modify the first-time homebuyers credit in the case of members of the Armed Forces and certain other Federal employees, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Service Members  
3 Home Ownership Tax Act of 2009”.

4 **SEC. 2. WAIVER OF RECAPTURE OF FIRST-TIME HOME-**  
5 **BUYER CREDIT FOR INDIVIDUALS ON QUALI-**  
6 **FIED OFFICIAL EXTENDED DUTY.**

7 (a) IN GENERAL.—Paragraph (4) of section 36(f) of  
8 the Internal Revenue Code of 1986 is amended by adding  
9 at the end the following new subparagraph:

10 “(E) SPECIAL RULE FOR MEMBERS OF  
11 THE ARMED FORCES, ETC.—

12 “(i) IN GENERAL.—In the case of the  
13 disposition of a principal residence by an  
14 individual (or a cessation referred to in  
15 paragraph (2)) after December 31, 2008,  
16 in connection with Government orders re-  
17 ceived by such individual, or such individ-  
18 ual’s spouse, for qualified official extended  
19 duty service—

20 “(I) paragraph (2) and sub-  
21 section (d)(2) shall not apply to such  
22 disposition (or cessation), and

23 “(II) if such residence was ac-  
24 quired before January 1, 2009, para-  
25 graph (1) shall not apply to the tax-  
26 able year in which such disposition (or

1 cessation) occurs or any subsequent  
2 taxable year.

3 “(ii) QUALIFIED OFFICIAL EXTENDED  
4 DUTY SERVICE.—For purposes of this sec-  
5 tion, the term ‘qualified official extended  
6 duty service’ means service on qualified of-  
7 ficial extended duty as—

8 “(I) a member of the uniformed  
9 services,

10 “(II) a member of the Foreign  
11 Service of the United States, or

12 “(III) as an employee of the in-  
13 telligence community.

14 “(iii) DEFINITIONS.—Any term used  
15 in this subparagraph which is also used in  
16 paragraph (9) of section 121(d) shall have  
17 the same meaning as when used in such  
18 paragraph.”.

19 (b) EFFECTIVE DATE.—The amendment made by  
20 this section shall apply to dispositions and cessations after  
21 December 31, 2008.

1 **SEC. 3. EXTENSION OF FIRST-TIME HOMEBUYER CREDIT**  
2 **FOR INDIVIDUALS ON QUALIFIED OFFICIAL**  
3 **EXTENDED DUTY OUTSIDE THE UNITED**  
4 **STATES.**

5 (a) IN GENERAL.—Subsection (h) of section 36 of the  
6 Internal Revenue Code of 1986 is amended—

7 (1) by striking “This section” and inserting the  
8 following:

9 “(1) IN GENERAL.—This section”, and

10 (2) by adding at the end the following:

11 “(2) SPECIAL RULES FOR INDIVIDUALS ON  
12 QUALIFIED OFFICIAL EXTENDED DUTY OUTSIDE  
13 THE UNITED STATES.—In the case of any individual  
14 who serves on qualified official extended duty service  
15 outside the United States for at least 90 days in cal-  
16 endar year 2009 and, if married, such individual’s  
17 spouse—

18 “(A) paragraph (1) shall be applied by  
19 substituting ‘December 1, 2010’ for ‘December  
20 1, 2009’,

21 “(B) subsection (f)(4)(D) shall be applied  
22 by substituting ‘December 1, 2010’ for ‘Decem-  
23 ber 1, 2009’, and

24 “(C) in lieu of subsection (g), in the case  
25 of a purchase of a principal residence after De-  
26 cember 31, 2009, and before July 1, 2010, the

1 taxpayer may elect to treat such purchase as  
2 made on December 31, 2009, for purposes of  
3 this section (other than subsections (c) and  
4 (f)(4)(D)).”.

5 (b) COORDINATION WITH FIRST-TIME HOMEBUYER  
6 CREDIT FOR DISTRICT OF COLUMBIA.—Paragraph (4) of  
7 section 1400C(e) of such Code is amended by inserting  
8 “(December 1, 2010, in the case of a purchase subject  
9 to section 36(h)(2))” after “December 1, 2009”.

10 (c) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to residences purchased after No-  
12 vember 30, 2009.

13 **SEC. 4. EXCLUSION FROM GROSS INCOME OF QUALIFIED**  
14 **MILITARY BASE REALIGNMENT AND CLO-**  
15 **SURE FRINGE.**

16 (a) IN GENERAL.—Subsection (n) of section 132 of  
17 the Internal Revenue Code of 1986 is amended—

18 (1) in subparagraph (1) by striking “this sub-  
19 section) to offset the adverse effects on housing val-  
20 ues as a result of a military base realignment or clo-  
21 sure” and inserting “the American Recovery and  
22 Reinvestment Tax Act of 2009)”, and

23 (2) in subparagraph (2) by striking “clause (1)  
24 of”.

1 (b) EFFECTIVE DATE.—The amendments made by  
2 this act shall apply to payments made after February 17,  
3 2009.

4 **SEC. 5. INCREASE IN PENALTY FOR FAILURE TO FILE A**  
5 **PARTNERSHIP OR S CORPORATION RETURN.**

6 (a) IN GENERAL.—Sections 6698(b)(1) and  
7 6699(b)(1) of the Internal Revenue Code of 1986 are each  
8 amended by striking “\$89” and inserting “\$110”.

9 (b) EFFECTIVE DATE.—The amendments made by  
10 this section shall apply to returns for taxable years begin-  
11 ning after December 31, 2009.

12 **SEC. 6. TIME FOR PAYMENT OF CORPORATE ESTIMATED**  
13 **TAXES.**

14 The percentage under paragraph (1) of section  
15 202(b) of the Corporate Estimated Tax Shift Act of 2009  
16 in effect on the date of the enactment of this Act is in-  
17 creased by 0.5 percentage points.

○

# ADDENDUM C



## Full List of Obamacare Tax Hikes

Obamacare law contains 20 new or higher taxes on American families and small businesses

Taxpayers are reminded that the President's healthcare law is one of the largest tax increases in American history.

Obamacare contains 20 new or higher taxes on American families and small businesses.

Arranged by their respective effective dates, below is the total list of all \$500 billion-plus in tax hikes (over the next ten years) in Obamacare, where to find them in the bill, and how much your taxes are scheduled to go up as of today:

### Taxes that took effect in 2010:

**1. Excise Tax on Charitable Hospitals** (Min\$/immediate): \$50,000 per hospital if they fail to meet new "community health assessment needs," "financial assistance," and "billing and collection" rules set by HHS. **Bill: PPACA; Page: 1,961-1,971**

**2. Codification of the "economic substance doctrine"** (Tax hike of \$4.5 billion). This provision allows the IRS to disallow completely-legal tax deductions and other legal tax-minimizing plans just because the IRS deems that the action lacks "substance" and is merely intended to reduce taxes owed. **Bill: Reconciliation Act; Page: 108-113**

**3. "Black liquor" tax hike** (Tax hike of \$23.6 billion). This is a tax increase on a type of bio-fuel. **Bill: Reconciliation Act; Page: 105**

**4. Tax on Innovator Drug Companies** (\$22.2 bil/Jan 2010): \$2.3 billion annual tax on the industry imposed relative to share of sales made that year. **Bill: PPACA; Page: 1,971-1,980**

**5. Blue Cross/Blue Shield Tax Hike** (\$0.4 bil/Jan 2010): The special tax deduction in current law for Blue Cross/Blue Shield companies would only be allowed if 85 percent or more of premium revenues are spent on clinical services. **Bill: PPACA; Page: 2,004**

**6. Tax on Indoor Tanning Services** (\$2.7 billion/July 1, 2010): New 10 percent excise tax on Americans using indoor tanning salons. **Bill: PPACA; Page: 2,397-2,399**

### Taxes that took effect in 2011:

**7. Medicine Cabinet Tax** (\$5 bil/Jan 2011): Americans no longer able to use health savings account (HSA), flexible spending account (FSA), or health reimbursement (HRA) pre-tax dollars to purchase non-prescription, over-the-counter medicines (except insulin). **Bill: PPACA; Page: 1,957-1,959**

**8. HSA Withdrawal Tax Hike** (\$1.4 bil/Jan 2011): Increases additional tax on non-medical early withdrawals from an HSA from 10 to 20 percent, disadvantaging them relative to IRAs and other tax-advantaged accounts, which remain at 10 percent. **Bill: PPACA; Page: 1,959**

**Tax that took effect in 2012:**

**9. Employer Reporting of Insurance on W-2** (Min\$/Jan 2012): Preamble to taxing health benefits on individual tax returns. **Bill: PPACA; Page: 1,957**

**Taxes that take effect in 2013:**

**10. Surtax on Investment Income** (\$123 billion/Jan. 2013): **Creation of a new, 3.8 percent surtax on investment income** earned in households making at least \$250,000 (\$200,000 single). This would result in the following top tax rates on investment income: **Bill: Reconciliation Act; Page: 87-93**

	Capital Gains	Dividends	Other*
2012	15%	15%	35%
2013+	23.8%	43.4%	43.4%

*\*Other unearned income includes (for surtax purposes) gross income from interest, annuities, royalties, net rents, and passive income in partnerships and Subchapter-S corporations. It does not include municipal bond interest or life insurance proceeds, since those do not add to gross income. It does not include active trade or business income, fair market value sales of ownership in pass-through entities, or distributions from retirement plans. The 3.8% surtax does not apply to non-resident aliens.*

**11. Hike in Medicare Payroll Tax** (\$86.8 bil/Jan 2013): Current law and changes:

	First \$200,000 (\$250,000 Married) Employer/Employee	All Remaining Wages Employer/Employee
Current Law	1.45%/1.45% 2.9% self-employed	1.45%/1.45% 2.9% self-employed
Obamacare Tax Hike	1.45%/1.45% 2.9% self-employed	1.45%/2.35% 3.8% self-employed

**Bill: PPACA, Reconciliation Act; Page: 2000-2003; 87-93**

**12. Tax on Medical Device Manufacturers** (\$20 bil/Jan 2013): Medical device manufacturers employ 360,000 people in 6000 plants across the country. This law imposes a new 2.3% excise tax. Exempts items retailing for <\$100. **Bill: PPACA; Page: 1,980-1,986**

**13. High Medical Bills Tax** (\$15.2 bil/Jan 2013): Currently, those facing high medical expenses are allowed a deduction for medical expenses to the extent that those expenses exceed 7.5 percent of adjusted gross income (AGI). The new provision imposes a threshold of 10 percent of AGI. Waived for 65+ taxpayers in 2013-2016 only. **Bill: PPACA; Page: 1,994-1,995**

**14. Flexible Spending Account Cap – aka “Special Needs Kids Tax”** (\$13 bil/Jan 2013): Imposes cap on FSAs of \$2500 (now unlimited). Indexed to inflation after 2013. There is one group of FSA owners for whom this new cap will be particularly cruel and onerous: parents of special needs children. There are thousands of families with special needs children in the United States, and many of them use FSAs to pay for special needs education. Tuition rates at one leading school that teaches special needs children in Washington, D.C. (National Child Research Center) can easily exceed \$14,000 per year. Under tax rules, FSA dollars can be used to pay for this type of special needs education. **Bill: PPACA; Page: 2,388-2,389**

**15. Elimination of tax deduction for employer-provided retirement Rx drug coverage in coordination with Medicare Part D** (\$4.5 bil/Jan 2013) **Bill: PPACA; Page: 1,994**

**16. \$500,000 Annual Executive Compensation Limit for Health Insurance Executives** (\$0.6 bil/Jan 2013). **Bill: PPACA; Page: 1,995-2,000**

**Taxes that take effect in 2014:**

**17. Individual Mandate Excise Tax** (Jan 2014): Starting in 2014, anyone not buying “qualifying” health insurance must pay an income surtax according to the higher of the following

	1 Adult	2 Adults	3+ Adults
2014	1% AGI/\$95	1% AGI/\$190	1% AGI/\$285
2015	2% AGI/\$325	2% AGI/\$650	2% AGI/\$975
2016 +	2.5% AGI/\$695	2.5% AGI/\$1390	2.5% AGI/\$2085

*Exemptions for religious objectors, undocumented immigrants, prisoners, those earning less than the poverty line, members of Indian tribes, and hardship cases (determined by HHS). Bill: PPACA; Page: 317-337*

**18. Employer Mandate Tax** (Jan 2014): If an employer does not offer health coverage, and at least one employee qualifies for a health tax credit, the employer must pay an additional non-deductible tax of \$2000 for all full-time employees. Applies to all employers with 50 or more employees. If any employee actually receives coverage through the exchange, the penalty on the employer for that employee rises to \$3000. If the employer requires a waiting period to enroll in coverage of 30-60 days, there is a \$400 tax per employee (\$600 if the period is 60 days or longer). **Bill: PPACA; Page: 345-346**

*Combined score of individual and employer mandate tax penalty: \$65 billion/10 years*

**19. Tax on Health Insurers** (\$60.1 bil/Jan 2014): Annual tax on the industry imposed relative to health insurance premiums collected that year. Phases in gradually until 2018. Fully-imposed on firms with \$50 million in profits. **Bill: PPACA; Page: 1,986-1,993**

**Taxes that take effect in 2018:**

**20. Excise Tax on Comprehensive Health Insurance Plans** (\$32 bil/Jan 2018): Starting in 2018, new 40 percent excise tax on “Cadillac” health insurance plans (\$10,200 single/\$27,500 family). Higher threshold (\$11,500 single/\$29,450 family) for early retirees and high-risk professions. CPI +1 percentage point indexed. **Bill: PPACA; Page: 1,941-1,956**

*Printed from: <http://www.ctr.org/full-list-ACA-tax-hikes-a6996?print=true>*

## CERTIFICATE OF FILING AND SERVICE

I, Joseph E. Schmitz, hereby certify pursuant to Fed. R. App. P. 25(d) that on May 14, 2014, the foregoing Brief of *Amici Curiae* Congressman Trent Franks, *et al.*, was filed through the CM/ECF system and served electronically on the individuals listed below:

Alisa Beth Klein  
alisa.klein@usdoj.gov  
Mark Bernard Stern  
mark.stern@usdoj.gov  
U.S. Department of Justice  
Civil Division, Appellate Staff  
950 Pennsylvania Avenue, NW, Suite 7235  
Washington, DC 20530-0001  
(202) 514-1597

Carol Federighi, Senior Litigation Counsel  
carol.federighi@usdoj.gov  
U.S. Department of Justice  
Office of Immigration Litigation  
PO Box 878  
Ben Franklin Station  
Washington, DC 20044  
(202) 514-1903  
*Counsel for Appellees*

Andrew L. Schlafly  
939 Old Chester Road  
Far Hills, New Jersey 07931  
aschlafly@aol.com  
(908) 719-8608  
*Counsel for Appellants*

/s/ Joseph E. Schmitz