

Approved: February 23, 1995
Date

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson Bill Bryant at 3:30 p.m. on February 22, 1995 in Room 527S of the Capitol.

All members were present except: Representative Tom Sawyer, Excused
Representative Jene Vickery, Excused

Committee staff present: Bill Wolff, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: David Ross, Kansas Association of Life Underwriters
Tom Wilder, Insurance Department
Candace Shively, SRS
Charles Moore, SRS

Others attending: See attached list

Hearing on HB 2460--Long term, Kansas partnership for long-term care

David Ross of the Kansas Association of Life Underwriters, explained that in ten years 30% of the population will be retired thus increasing the need for long-term care and fewer people to pay (Attachment 1). The government will not be able to pay for 50% of the people in nursing homes as is the current practice. This legislation would encourage younger people to get prepared. The proposed legislation would address this problem by creating a public/private partnership between the insurance industry and the State of Kansas. Federal legislation in 1988 allowed four states to develop programs with the help of the Robert Wood Johnson Foundation and three others have programs in the planning stages. If enrolled in the program, individuals may purchase long term care policies from the private market which provide coverage in a nursing home for a specific length of time such as three years or six years of home care. The average stay in a nursing home is 2 1/2 years. Coverage and options on policies would vary. Once private benefits are exhausted, the insured is eligible for Medicare. The current long-term care policy is that when the insurance runs out, there must be a division of assets. The creation and development of the program would require the cooperation of several agencies. Administration would be through the Insurance Department.

Committee members commented on the philosophical correctness of the plan but noted that pre-existing conditions can prohibit enrollment in long-term care plans. Most people past age 65 have some sort of pre-existing condition such as arthritis, diabetes, heart condition, etc. It was suggested that pre-existing conditions should only be named if they contribute to risk.

Tom Wilder of the Insurance Department said that the development of a Kansas long-term care partnership program is dependent on continued federal participation which allows the waiver of Medicare requirements (Attachment 2). The 1993 OBRA prohibited the expansion of the program and until Congress decides whether to continue the Medicare waivers, Kansas will not be able to participate in the program. Mr. Wilder suggested the development of an Interim Committee to further study the feasibility of the plan.

Candace Shively, Acting Commissioner of Income Support/Medical Services of SRS, explained to the Committee the financing problems which would be involved due to the creation of a new Medicaid eligibility group not covered under Title XIX of the Social Security Act (Attachment 3). It is conceivable that any person with the resources to purchase a long-term policy would be assured of receiving a like amount in Medicaid taxpayer funds without regard to need. This would allow the insured to purchase only half the coverage, at half the cost, and be guaranteed full coverage. The proposed legislation places the Kansas Medicaid Program in the position of becoming an insurance underwriter.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
Room 527S-Statehouse, at 9:00 a.m. on February 22, 1995.

Action on HB 2010--Medical savings accounts

Amendments prepared by the revisor, Bruce Kinzie, were presented to the Committee (Attachment 4). It was noted that most working people cannot afford \$200 per month and it should be understood that the amount would be up to \$200 per month. Assisted living is not listed in the bill as an Interim Committee will be studying the concept this summer. The fiscal note is expected to be around \$7 million.

Representative Merritt moved to accept the amendments. The motion was seconded by Representative Landwehr. The motion carried.

Representative Donovan moved to change Line 27 on Page 7 regarding taxable years to begin after December 31, 1995, and wherever else it is applicable. The motion was seconded by Representative Wilson. Motion carried.

Representative Merritt moved to pass the bill out favorably as amended. Motion was seconded by Representative Landwehr. Motion carried. Representatives Welshimer, Gilbert, and Correll wished to be recorded as "no" votes.

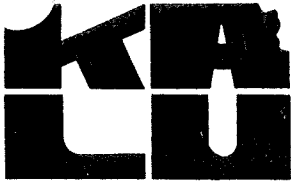
Representative Cox gave the Subcommittee Report on HB 2482 - Kansas privacy act. The Kansas Bankers Association agreed conceptually but the Secretary of State's office expressed concern that the bill would restrict auditing funeral homes' trust accounts. It was recommended to leave the bill in Committee until next year.

Action on HB 2188--Auto liability verification system

Chairman Bryant reported that John Smith of the Department of Motor Vehicles suggested that the Insurance Department, DISC, the Department of Motor Vehicles, and the major insurers meet and study the bill and its contents. They would bring their recommendations back to the 1996 Legislature. Chairman Bryant expressed the Committee's concern with the on-going problem of driver's without liability insurance. His letter asking the different agencies and insurers to be involved in solving this problem will be made a part of these minutes.

Chairman Bryant announced the minutes would be distributed and if no corrections are received within 24 hours, the minutes will be considered approved.

The meeting adjourned at 4:45 p.m. The next meeting is scheduled for March 6, 1995.



KANSAS ASSOCIATION of LIFE UNDERWRITERS

216 S.W. 7TH - P.O. BOX 2639 - TOPEKA, KANSAS 66601 - 913-234-3491 - FAX 913-234-3713

My Chairman and Members of the Committee,

I am David Ross representing the Kansas Association of Life Underwriters. I appear before you today in support of HB 2460, the Kansas Partnership for Long-term Care Act.

The problem that creates the necessity for this legislation is obvious. Within 10 years, the demographics of our population will begin to shift. There will be more people retiring and fewer people joining the labor force. Currently, 15% of the population is retired. It will grow to 30%. There will be more people in need of long-term care and fewer people to pay. Government will not be able to afford to pay for 50% of the people in nursing homes as it currently does.

There are only two ways to address this problem. Bigger families or the retiring population must prepare. HB 2460 encourages this segment of the population to prepare by personally providing for as much of this expense as they can afford now while earning power is greater. In return, medicaid will provide an equal benefit, should the personal benefit be exhausted, prior to dividing or attaching assets.

To implement this program, the Secretary of Social and Rehabilitation Services must petition the Health Care Financing Administration for an exemption to incorporate the plan. The Commissioner of Insurance must coordinate transition from personal benefits to public benefits and maintain a scenario for future public expense. The Secretary of Aging must notify the public of this program and provide advice for people seeking ways to participate.

HB 2460 provides a framework for addressing the problems that will result from an aging population. I urge your support for HB 2460.

David Ross

Attachment 1

2-22-95

To: House Financial Institutions and Insurance Committee

From: Tom Wilder, Director of Governmental Relations
Kansas Department of Insurance

Re: H.B. 2460 (Kansas Partnership for Long Term Care)

Date: February 22, 1995

The Kansas Department of Insurance supports efforts such as those outlined in House Bill 2460 to provide for the needs of Kansans who require long term medical care. Statistical data provided by the National Association of Insurance Commissioners indicates 20,776 Kansas residents were covered under private long term care policies in 1992. The number of residents covered by private long term care insurance grew to 59,397 in 1993. In 1987 the United States Department of Health and Human Services reported that 43% of those persons over age 65 will require nursing home care during their lifetimes. It is expected there will be a 132% increase in the number of nursing home residents by the year 2030. It is vitally important to coordinate private and public efforts to assist those individuals who will need long term care.

In 1988 the US Congress enacted legislation to provide for pilot projects which would match private long term care insurance with government programs such as Medicare. Four states, New York, Indiana, Connecticut and California, have developed programs with funding provided by the Robert Wood Johnson Foundation. Three other states have partnership programs in the planning stage. Each state program represents a different and "local" approach to match private and government efforts to assure the availability of long term care. For example, in the New York program individuals may purchase a long term care policy from the private market which provides coverage for a minimum of three years in a nursing home or six

*House FOIA
Attachment 2
2-22-95*

years of home care. Different levels and options of coverage are available and currently over 4,000 policyholders participate in the program. Once private benefits are exhausted, the insured is eligible for Medicare.

The development of a Kansas long term care partnership program is dependent on continued federal participation which allows the waiver of Medicare requirements. In 1993 Congress, as part of the Omnibus Budget Reconciliation Act, prohibited the expansion of the partnership programs beyond the four participating states and three other states which had applied to take part in the program. Until the Congress decides whether to continue the Medicare waivers, Kansas will not be able to participate in the partnership program.

The Kansas Department of Insurance believes this legislation represents a good "first step" toward dealing with the long term care needs of Kansas citizens. The Department asks this committee to refer the subject to an interim study which can look at the partnership programs developed by other states. It is also important the US Congress be urged to expand the program to include other states such as Kansas. The Department of Insurance suggests the Senate and House consider a joint resolution to the Kansas congressional delegation asking for their support in removing the prohibition on the continuation of the partnership program which was passed as part of the 1993 Budget Reconciliation Bill so that Kansas can participate.

KANSAS DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES
Janet Schalansky, Acting Secretary
House Committee on Financial Institutions and Insurance
Testimony on HB 2460 pertaining to Long Term Care Insurance
February 22, 1995

Mr. Chairman and members of the committee, thank you for the opportunity to provide testimony on H.B. 2460. As we have analyzed HB 2460, it would create, within the Department of Insurance, a program to provide primary coverage for long-term care expenses. It also provides that the Medicaid program shall provide excess coverage in an amount equal to the primary coverage.

The Bill would have the effect of creating a new Medicaid eligibility group not covered under Title XIX of the Social Security Act. To enable the State to receive federal matching funds, a waiver would be needed. The Health Care Financing Administration is evaluating waiver requests with an eye toward cost-neutral interaction. It is doubtful that Kansas would receive waiver approval for such an expansion of eligibility. Without the approval of Health Care Financing Administration, the funding for such an expansion would be totally from State General Funding.

The increase in coverage obligates the State to match the primary coverage dollar for dollar including accelerated life insurance benefits to be used for long-term care. It would also conceivably include any benefits used or intended for use for any chronic, long-term treatment irrespective of the location the services are provided. This could well have the effect of increasing the State's expenditures for long-term care many fold. Any person with the resources to purchase a long-term policy would be assured of receiving a like amount in Medicaid taxpayer funds without regard to need. This would allow the insured to purchase only half the coverage, at half the cost, and be guaranteed full coverage.

The Agency has established several processes to evaluate the appropriateness of Nursing facility care and divert those that can better be cared for in their local community. HB 2460 would not allow this screening process to occur and would remove any cost containment controls the Agency has in the area of long-term care.

In closing, HB 2460 places the Kansas Medicaid Program, an entitlement program, in the position of becoming an insurance underwriter, a position that was not intended by the United States' Congress. Again, thank you for the opportunity to address you on HB 2460.

Candace Shively
Acting Commissioner
Income Support/Medical Services
(913) 296-6750

House File D
Attachment 3
2-22-95

HOUSE BILL No. 2010

By Representatives Wagle, Adkins, Aurand, Ballou, Beggs, Boston, Bryant, Carmody, Cornfield, Cox, Crabb, Donovan, Edmonds, Farmer, Flower, Freeborn, Geringer, Gilmore, Haulmark, Hayzlett, Horst, Howell, Humerickhouse, Hutchins, Jennison, Kejr, King, Phill Kline, Landwehr, Lane, Lloyd, Mason, Mayans, Mays, Merritt, Mollenkamp, Morrison, Myers, Neufeld, O'Connor, O'Neal, Ott, Packer, Powell, Pugh, Shallenburger, Snowbarger, Swenson, Tanner, Toplikar, Vickrey, Weber, Wilson and Yoh

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16 AN ACT enacting the medical savings account act; providing for the es-
17 tablishment and administration of medical savings accounts; amending
18 K.S.A. 1994 Supp. 79-32,117 and repealing the existing section.

19
20 *Be it enacted by the Legislature of the State of Kansas:*

21 New Section 1. (a) This section shall be known and may be cited as
22 the medical savings account act.

23 (b) For the purposes of this section:

24 (1) "Account administrator" means any of the following: A national
25 or state chartered bank, a federal or state chartered savings and loan
26 association, a federal [or state] chartered savings bank or a federal or state
27 chartered credit union; a trust company authorized to act as a fiduciary;
28 an insurance company authorized to do business in this state; a certified
29 public accountant licensed to practice in this state; [an attorney licensed
30 to practice in this state; an employer, if the employer has a self-insured
31 health plan under ERISA; or an employer that participates in the medical
32 savings account program.

33 (2) "Account holder" means [the individual, including employees] of
34 an employer who contributes to medical savings accounts on the em-
35 ployee's behalf [on whose behalf the medical savings account is estab-
36 lished]

37 (3) "Deductible" means the total deductible for an [employee] and all
38 the dependents of that [employee] for a calendar year.

39 (4) "Dependent" means the spouse or a child of the account holder
40 if the child is any of the following: (A) Under 19 years of age, or under
41 23 years of age and enrolled as a full-time student at an accredited college
42 or university. (B) Legally entitled to the provision of proper or necessary
43 subsistence, education, medical care or other care necessary for [his or her]

a broker-dealer, agent or investment advisor registered under K.S.A. 17-1254, and amendments thereto,

any individual who establishes a medical care savings account or any employee

account holder

such child's

Handwritten: *Amended by House of Representatives*

Handwritten: *3-30-95*

1 health, guidance or well being and not otherwise emancipated, self-sup-
2 porting, married or a member of the armed forces of the United States.
3 (C) Mentally or physically incapacitated to the extent that [he or she] is not
4 self-sufficient.

5 (5) "Eligible medical expense" means an expense paid by the [taxpayer]
6 for medical care described in section 213(d) of the federal internal rev-
7 enue code.

[such child
account holder

8 (6) "Employee" means the individual for whose benefit or for the
9 benefit of whose dependents a medical savings account is established.
10 Employee includes a self-employed individual.

[by an employer

11 (7) "ERISA" means the Employer Retirement Income Security Act
12 of 1974, Public Law 93-406.

13 (8) "Higher deductible" means a deductible of not more than \$10,000
14 for 1995. Such amount shall be adjusted annually in the manner pre-
15 scribed by subsection (c)(3) for the adjustment of contribution amounts.

(9) "Long-term care insurance" shall have
the meaning ascribed to that term in K.S.A.
40-2227, and amendments thereto.

16 (9) "Medical savings account" or "account" means an account estab-
17 lished in this state pursuant to a medical savings account program to pay
18 the eligible medical expenses of an account holder or [his or her] depend-
19 ents

[such account holder's

20 (10) "Medical savings account program" or "program" means a pro-
21 gram that includes all of the following:

[, which may include dental coverage,

22 (A) The purchase by an account holder or by an employer of a qual-
23 ified higher deductible health plan for the benefit of an employee and
24 [his or her] dependents.

[such employee's

25 (B) The contribution into a medical savings account by an account
26 holder or on behalf of an employee by [his or her] employer, all or part of
27 the deductible of the plan purchased pursuant to paragraph (A).

28 (C) An account administrator to administer the medical savings ac-
29 count from which payment of claims is made. Not more than 30 days
30 after an account administrator begins to administer an account, the ad-
31 ministrator shall notify in writing each account holder on whose behalf
32 the administrator administers an account of the date of the last business
33 day of the administrator's business year.

34 (11) "Qualified higher deductible health plan" means a health cov-
35 erage policy, certificate or contract that provides for payments for covered
36 benefits that exceed the higher deductible and that is purchased by an
37 account holder; or by an employer for the benefit of an employee and
38 the employee's dependents, for whom the employer makes deposits into
39 a medical care savings account.

[, which may include dental coverage,

40 (c) (1) For taxable years beginning after December 31, 1994, a res-
41 ident of this state shall be allowed to deposit contributions to a medical
42 savings account. The amount of deposit for the 1995 taxable year shall
43 not exceed:

[any individual or any employer on behalf of an
employee

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1 (A) \$2,000 for the account holder; or
 2 (B) \$5,000 for the account holder and dependents of the account
 3 holder.

4 (2) For tax years beginning after December 31, 1994, an employer
 5 may offer a medical care savings account program to the employer's em-
 6 ployees. An employer that offers a medical savings account program shall
 7 inform all employees in writing of the federal tax status of contributions
 8 made pursuant to this act, before making contributions.

9 (3) The maximum allowable amount of deposit for subsequent years
 10 shall be increased annually by a percentage equal to the previous year's
 11 increase in the consumer price index as published annually as soon after
 12 December 31 each year as possible by the secretary of state in the Kansas
 13 register. As used in this paragraph, "consumer price index" means the
 14 12-month average of the consumer price index for all urban consumers
 15 United States city average which is published by the United States de-
 16 partment of labor.

17 (d) Except as provided by subsection (f), principal contributed to and
 18 interest earned on a medical savings account and money reimbursed to
 19 an account holder or an employee for eligible medical expenses are ex-
 20 empt from taxation under the Kansas income tax act.

21 (e) (1) The account administrator shall utilize the funds held in a
 22 medical care savings account solely for the purpose of paying the eligible
 23 medical expenses of the account holder or his or her dependents, or to
 24 purchase a health coverage policy, certificate, or contract, if the account
 25 holder does not otherwise have health insurance coverage. Funds held in
 26 a medical savings account shall not be used to cover medical expenses of
 27 the account holder or his or her dependents that are otherwise covered,
 28 including but not limited to, medical expenses covered pursuant to an
 29 automobile insurance policy, workers compensation insurance policy or
 30 self-insured plan, or another employer-funded health coverage policy,
 31 certificate or contract.

32 (2) The account holder may submit documentation of medical ex-
 33 penses paid by the account holder or the employee during the tax year
 34 to the account administrator. The account administrator shall reimburse
 35 the account holder from the account holder's account for eligible medical
 36 expenses.

37 (3) If an employer makes contributions to a medical savings account
 38 program on a periodic installment basis, the employer may advance to an
 39 employee, interest free, an amount necessary to cover medical expenses
 40 incurred that exceed the amount in the employees' medical care savings
 41 account when the expense is incurred, if the employee agrees to repay
 42 the advance from future installments or when he or she ceases to be an
 43 employee of the employer.

or long-term care expenses

: (A)

expenses or long-term care expenses

such account holder's

; (B) purchasing

such health coverage may include dental coverage; or (c) purchasing long-term care insurance

such account holder's

or long-term care expenses

such employee

)

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3

1 (f) Medical savings account funds may be withdrawn by the account
 2 holder at any time for any purpose, subject to a distribution penalty for
 3 withdrawal of medical savings account funds by the account holder for
 4 ~~use for other~~ payment of eligible medical expenses. Such penalty shall be
 5 equal to 10% of the amount withdrawn, and, upon such withdrawal, the
 6 amount withdrawn and the interest earned during the tax year in which
 7 withdrawal occurs shall be subject to state income taxation.

any other purpose other than the

or long-term care expenses

shall be withheld by the account administrator
 and remitted to the department of revenue.

8 (g) Upon the death of the account holder in circumstances where
 9 there is no surviving spouse, the medical savings account principal and
 10 accumulated interest which has not been taxed previously shall be in-
 11 cluded in Kansas adjusted gross income of the account holder and shall
 12 be reported in the income tax return filed for the taxable year in which
 13 the account holder's death occurred.

14 (h) Upon the death of the account holder, the medical savings ac-
 15 count principal, as well as any interest accumulated thereon, shall be
 16 distributed to the decedent's estate and taxed as part of the estate, except
 17 that on the death of an account holder of a medical savings account for
 18 the benefit of an account holder and dependents of the account holder,
 19 such principal and accumulated interest shall be distributed to the ac-
 20 count holder's surviving spouse, if any, who may avoid inclusion of such
 21 amount in Kansas adjusted gross income by paying the entire amount
 22 received into a medical savings account established for the benefit of such
 23 surviving spouse or such surviving spouse and such spouse's dependents
 24 not later than the 60th day after the day on which the distribution was
 25 received.

26 (i) If an employee is no longer employed by an employer that partic-
 27 ipates in a medical savings account program and the employee, not more
 28 than 60 days after ~~his or her~~ final day of employment requests in writing
 29 to the former employer's account administrator that the account remain
 30 with that administrator and that account administrator agrees to retain
 31 the account, the money in the medical savings account may be utilized
 32 for the benefit of the employee or ~~his or her~~ dependents subject to this
 33 act and remain exempt from taxation pursuant to this act. Not more than
 34 30 days after the expiration of the 60 days, if the account administrator
 35 does not accept the former employee's account, the employer shall mail
 36 a check to the former employee at the employee's last know address equal
 37 to the amount in the account on that day that amount is subject to taxa-
 38 tion. If an employee becomes employed with a different employer that
 39 participates in a medical savings account program, the employee may
 40 transfer ~~his or her~~ medical savings account to that new employer's account
 41 administrator, or to an individually purchased account program.

such employee's

42 (j) The account administrator shall annually file on a form, prescribed
 43 by the secretary of revenue, a statement of all account activity of such

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1 medical savings account, which shall include the amount of all deposits,
2 withdrawals, interest earning, expenditures and such other information
3 as the secretary may require by rules and regulations adopted by the
4 secretary.

5 Sec. 2. K.S.A. 1994 Supp. 79-32,117 is hereby amended to read as
6 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
7 means such individual's federal adjusted gross income for the taxable year,
8 with the modifications specified in this section.

9 (b) There shall be added to federal adjusted gross income:

10 (i) Interest income less any related expenses directly incurred in the
11 purchase of state or political subdivision obligations, to the extent that
12 the same is not included in federal adjusted gross income, on obligations
13 of any state or political subdivision thereof, but to the extent that interest
14 income on obligations of this state or a political subdivision thereof issued
15 prior to January 1, 1988, is specifically exempt from income tax under the
16 laws of this state authorizing the issuance of such obligations, it shall be
17 excluded from computation of Kansas adjusted gross income whether or
18 not included in federal adjusted gross income. Interest income on obli-
19 gations of this state or a political subdivision thereof issued after Decem-
20 ber 31, 1987, shall be excluded from computation of Kansas adjusted
21 gross income whether or not included in federal adjusted gross income.

22 (ii) Taxes on or measured by income or fees or payments in lieu of
23 income taxes imposed by this state or any other taxing jurisdiction to the
24 extent deductible in determining federal adjusted gross income and not
25 credited against federal income tax.

26 (iii) The federal net operating loss deduction.

27 (iv) Federal income tax refunds received by the taxpayer if the de-
28 duction of the taxes being refunded resulted in a tax benefit for Kansas
29 income tax purposes during a prior taxable year. Such refunds shall be
30 included in income in the year actually received regardless of the method
31 of accounting used by the taxpayer. For purposes hereof, a tax benefit
32 shall be deemed to have resulted if the amount of the tax had been de-
33 ducted in determining income subject to a Kansas income tax for a prior
34 year regardless of the rate of taxation applied in such prior year to the
35 Kansas taxable income, but only that portion of the refund shall be in-
36 cluded as bears the same proportion to the total refund received as the
37 federal taxes deducted in the year to which such refund is attributable
38 bears to the total federal income taxes paid for such year. For purposes
39 of the foregoing sentence, federal taxes shall be considered to have been
40 deducted only to the extent such deduction does not reduce Kansas tax-
41 able income below zero.

42 (v) The amount of any depreciation deduction or business expense
43 deduction claimed on the taxpayer's federal income tax return for any

1 capital expenditure in making any building or facility accessible to the
2 handicapped, for which expenditure the taxpayer claimed the credit al-
3 lowed by K.S.A. 79-32,177, and amendments thereto.

4 (vi) Any amount of designated employee contributions picked up by
5 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,
6 and amendments to such sections.

7 (vii) The amount of any charitable contribution made to the extent
8 the same is claimed as the basis for the credit allowed pursuant to K.S.A.
9 1994 Supp. 79-32,196.

10 (c) There shall be subtracted from federal adjusted gross income:

11 (i) Interest or dividend income on obligations or securities of any
12 authority, commission or instrumentality of the United States and its pos-
13 sessions less any related expenses directly incurred in the purchase of
14 such obligations or securities, to the extent included in federal adjusted
15 gross income but exempt from state income taxes under the laws of the
16 United States.

17 (ii) Any amounts received which are included in federal adjusted
18 gross income but which are specifically exempt from Kansas income tax-
19 ation under the laws of the state of Kansas.

20 (iii) The portion of any gain or loss from the sale or other disposition
21 of property having a higher adjusted basis for Kansas income tax purposes
22 than for federal income tax purposes on the date such property was sold
23 or disposed of in a transaction in which gain or loss was recognized for
24 purposes of federal income tax that does not exceed such difference in
25 basis, but if a gain is considered a long-term capital gain for federal in-
26 come tax purposes, the modification shall be limited to that portion of
27 such gain which is included in federal adjusted gross income.

28 (iv) The amount necessary to prevent the taxation under this act of
29 any annuity or other amount of income or gain which was properly in-
30 cluded in income or gain and was taxed under the laws of this state for a
31 taxable year prior to the effective date of this act, as amended, to the
32 taxpayer, or to a decedent by reason of whose death the taxpayer acquired
33 the right to receive the income or gain, or to a trust or estate from which
34 the taxpayer received the income or gain.

35 (v) The amount of any refund or credit for overpayment of taxes on
36 or measured by income or fees or payments in lieu of income taxes im-
37 posed by this state, or any taxing jurisdiction, to the extent included in
38 gross income for federal income tax purposes.

39 (vi) Accumulation distributions received by a taxpayer as a beneficiary
40 of a trust to the extent that the same are included in federal adjusted
41 gross income.

42 (vii) Amounts received as annuities under the federal civil service
43 retirement system from the civil service retirement and disability fund

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1 and other amounts received as retirement benefits in whatever form
2 which were earned for being employed by the federal government or for
3 service in the armed forces of the United States.

4 (viii) Amounts received by retired railroad employees as a supple-
5 mental annuity under the provisions of 45 U.S.C. 228b (a) and 228c (a)(1)
6 et seq.

7 (ix) Amounts received by retired employees of a city and by retired
8 employees of any board of such city as retirement allowances pursuant to
9 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter
10 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and
11 amendments thereto.

12 (x) For taxable years beginning after December 31, 1976, the amount
13 of the federal tentative jobs tax credit disallowance under the provisions
14 of 26 U.S.C. 280 C. For taxable years ending after December 31, 1978,
15 the amount of the targeted jobs tax credit and work incentive credit dis-
16 allowances under 26 U.S.C. 280 C.

17 (xi) For taxable years beginning after December 31, 1986, dividend
18 income on stock issued by Kansas Venture Capital, Inc.

19 (xii) For taxable years beginning after December 31, 1989, amounts
20 received by retired employees of a board of public utilities as pension and
21 retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249
22 and amendments thereto.

23 (xiii) For taxable years beginning after December 31, 1993, the
24 amount of income earned on contributions deposited to an individual
25 development account under K.S.A. 1994 Supp. 79-32,117h, and amend-
26 ments thereto.

27 (xiv) For taxable years beginning after December 31, 1994, the prin-
28 cipal amount of contributions deposited to a medical savings account un-
29 der section 1, and amendments thereto, and interest earned on such con-
30 tributions, and any amount reimbursed to the account holder for eligible
31 medical expenses.

or long-term care expenses

32 (d) There shall be added to or subtracted from federal adjusted gross
33 income the taxpayer's share, as beneficiary of an estate or trust, of the
34 Kansas fiduciary adjustment determined under K.S.A. 79-32,135, and
35 amendments thereto.

36 (e) The amount of modifications required to be made under this sec-
37 tion by a partner which relates to items of income, gain, loss, deduction
38 or credit of a partnership shall be determined under K.S.A. 79-32,131,
39 and amendments thereto, to the extent that such items affect federal
40 adjusted gross income of the partner.

41 Sec. 3. K.S.A. 1994 Supp. 79-32,117 is hereby repealed.

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1 Sec. 4. This act shall take effect and be in force from and after its
2 publication in the statute book.

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