

Approved: March 12, 1996  
Date

## MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:00 a.m. on March 6, 1996 in Room 519--S of the Capitol.

Members present: Senator Langworthy, Senator Corbin, Senator Martin, Senator Bond, Senator Clark, Senator Feleciano, Jr., Senator Hardenburger, Senator Lee, Senator Ranson and Senator Wisdom.

Committee staff present: Tom Severn, Legislative Research Department  
Chris Courtwright, Legislative Research Department  
Don Hayward, Revisor of Statutes  
Elizabeth Carlson, Secretary to the Committee

Conferees appearing before the committee: Senator Alicia Salisbury  
President Hugh Thompson, Washburn University  
Don Wright, Professor Emeritus, Washburn University  
Jim Young, Professor Emeritus, Washburn University  
John Howe, Professor Emeritus, Washburn University

Others attending: See attached list

### APPROVAL OF MINUTES

Senator Martin made a motion to approve the minutes of February 21 and February 22, 1996. The motion was seconded by Senator Corbin. The motion passed.

### SB 683--INCOME TAX EXCLUSION FOR WASHBURN UNIVERSITY EMPLOYEE RETIREMENT BENEFITS

Senator Salisbury, sponsor of **SB 683**, introduced the bill and spoke in support of it. She said this is similar to a bill which was introduced in 1994. The amendment is found on the bottom of page 3 of the bill. She said this bill makes the Washburn TIAA-CREF retired employees pension exempt from the Kansas income tax. She passed to the committee the instructions for Kansas Pension Plans which lists the public employees whose pension benefits in Kansas are exempt from the Kansas income tax. (Attachment 1) Two years ago Senator Salisbury said this issue got caught in a debate about whether the retirement income of public employees should continue to be exempt. She said she would tell the committee what this bill is not: (1) It is not whether or not annuities should be taxable or exempt from taxation; (2) The issue is not whether or not the flood gates should be opened to exempt all pensions from taxation; (3) The issue, quite simply, is why was Washburn left out of the list of public employees whose pension income is exempt. She said the reason is when the statutes were written, Washburn University, the only municipal university in the nation, simply was not thought of.

Hugh L. Thompson, President, Washburn University, said he appeared in support of passage of **SB 683** and included with his remarks was a Resolution adopted by the Washburn University Board of Regents in support of this issue. (Attachment 2) He said this is an issue of fairness, and although Washburn University is not a state agency, it has been for decades a public employer under federal and state law. He told of the retirement program for Washburn employees which is managed by TIAA-CREF, and he said this is the same pension option which is used by unclassified employees at the state Regents' universities. President Thompson said Washburn employees are not eligible to participate in KPERS. He asked the Legislature to treat the retirees of Washburn similar to the manner in which the retirees of the other universities and community colleges in Kansas are treated. He asked for the committee's support of **SB 683**.

There was committee discussion if the plan TIAA-CREF was a defined contribution plan and how did it compare with other plans. Senator Lee said it differs from KPERS which is a defined plan and retirees receive a designated amount of money regardless of how much they put into the plan. The TIAA-CREF only pays out what has been contributed by the employee and employer.

Don Wright, Professor Emeritus, Washburn University, spoke in support of **SB 683**. (Attachment 3) He said this would put Washburn University retirees on the same taxation basis as the retirees of the other public universities in the state. It appeared to him to be a clear case of discrimination and he believed it should be corrected. He said he did not think the discrimination was intentional, but the Washburn pensions simply slipped through the cracks. Also, the different treatment of the pensions of the Washburn University retirees

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S  
Statehouse, at 11:00 a.m. on March 6, 1996.

has caused confusion among many tax payers, tax preparers and some Department of Revenue personnel. He said **SB 683** would correct the discrimination against Washburn retirees.

Jim Young, Professor Emeritus, Washburn University said **SB 683** would exempt income received as annuities and other amounts received as retirement benefits by retired faculty and staff of Washburn University. (Attachment 4) He said they should receive the same tax exemptions on income derived from pensions as other Kansas retired employees of public institutions receive. Mr. Young said the state income taxes Washburn retirees currently pay, if exempted, would not be in excess of \$50,000 per year. He said as a representative of the Washburn retirees, he is ready to assist in any way that would facilitate this bill through the legislative process.

Senator Langworthy asked does Washburn University contribute to the plan and also does the individual employee contribute to the plan? Mr. Young replied "yes". Senator Langworthy then asked if taxes were withdrawn from the employees contribution. Mr. Young said it probably was taxed as the contributions were put into the plan.

John Howe, Faculty emeritus, Washburn University, said the diminished income to the state with the exemption provided in **SB 683** would be minimal. (Attachment 5) Professor Howe said he would have saved \$442 in the amount of state income tax paid for 1994 if such income was excluded. He said he was in an administrative capacity at Washburn and his salary was in the top 10 percent of salaries paid. By multiplying that amount times the list of 90 retired employees living in the state of Kansas, the state income would only be diminished by \$39,780. He felt should that sample indicated that the state income reduction should not be more than \$50,000.

Senator Ranson asked Mr. Howe if he had ever been employed at a private school and Mr. Howe said yes, he had but the schools did not provide the opportunity to contribute to a retirement plan at that time.

The hearing was closed on **SB 683**.

Senator Langworthy asked Senator Bond to discuss a letter which he had written to President Burke requesting an interim study on three topics which were closely related to this bill.

Senator Bond said **SB 415** which was heard in the Senate Financial Institutions and Insurance Committee, purported to eliminate from the insurance licensing statute the exemption for non-profit life insurance companies operating exclusively for the benefit of those employed by educational institutions. (Attachment 6) The major impact would be on TIAA-CREF. Senator Bond said after extensive hearings he thought the issue merited further study. The second issue, which was not embodied in a bill, but was a suggestion that the Kansas premium tax on annuities be eliminated. This would aid in Kansas economic development. The third issue relates to **SB 683** which would exempt TIAA-CREF annuity benefits of Washburn retirees from the state income tax. These are all issues that should have further and more extensive study by the Legislature. He said if the committee does not take action on this bill, there should be an interim study. The issue has been raised before on the topic of pension benefits--should they all be taxed or should they not be taxed. Washburn University has raised this issue and it is not fair when it is not the same at all institutions.

Senator Martin said this bill in 1994 was passed out of committee and sent to the floor of the Senate. He said it was amended significantly on the floor and it was sent back to the committee. There was not enough time to study this issue during the interim that year. Senator Martin said if this bill is passed, without recognizing that there are other groups out there with similar problems, the Legislature will end up in the same place. He said even if the figure is only \$50,000 or less, someone will amend the bill to either tax or not tax everyone. This issue will grow.

Senator Bond said the Legislature should understand this is a very complicated and controversial issue.

Senator Ranson asked how many private colleges in Kansas use TIAA-CREF. Bob Kelly, representing the Kansas Independent College Association, said there are 12 colleges that do offer TIAA-CREF and they do pay tax on the retirement benefits.

Tom Severn, Research Department, noted that a small portion of such retirement income might not be taxed because they would be treated as recaptured of previous tax contributions.

Senator Langworthy announced the Committee will not meet next week since no bills have been received from the House.

The meeting adjourned at 11:50 a.m.

The next meeting was not scheduled at this time.



KPERS employees should refer to the instructions for "Line A8—Kansas Pension Plans".

### Line A3—Other Additions to Federal Adjusted Gross Income

Enter on line A3 the following other additions to your federal adjusted gross income:

- **Federal Income Tax Refund:** As a general rule, there will be no entry here unless you amended your federal return for a prior year due to an investment credit carry back or a net operating loss carry back which resulted in you receiving a federal income tax refund in 1994 for that prior year.
- **Disabled Access Credit Modification:** Enter the amount of any depreciation deduction or business expense deduction claimed on your federal return which was used in determining the disabled access credit on schedule K-37.
- **Employer Health Insurance Contribution Credit:** Any business expense deduction claimed on your federal return for an Employer Health Insurance Contribution credit must be reduced by the dollar amount of the credit claimed. A tax credit may be claimed on page 2, Part D of the return. Complete Schedule K-57 and attach to your Kansas income tax return.
- **Partnership, Subchapter "S", or Fiduciary Adjustments:** If you received income from a partnership, subchapter "S" corporation, joint venture, syndicate, estate or trust, enter on line A3 your proportionate share of any addition adjustments that are required. The partnership, subchapter "S" corporation, or beneficiary will provide you with the necessary information to determine these adjustments.
- **Federal Net Operating Loss Carry Forward:** Enter on line A3 the federal net operating loss carry forward claimed on your 1994 federal income tax return.
- **Community Service Contribution Credit:** The amount of any charitable contribution claimed on the federal return must be reduced by the amount used as the basis for computing the community service contribution credit.

### Line A4—Total Additions to Federal Adjusted Gross Income

Enter on line A4 the total of lines A1 through A3.

### SUBTRACTIONS FROM FEDERAL ADJUSTED GROSS INCOME

#### Line A5—Interest on U.S. Government Obligations

Enter on line A5 any interest or dividend income received on obligations or securities of any authority, commission, or instrumentality of the United States and its possessions, less any related expenses (management

fees, trustee fees, interest, etc.) directly incurred in the purchase of such obligations or securities, to the extent they are included in federal adjusted gross income if they are exempt from state income taxes under the laws of the United States. Such income paid to shareholders through a mutual fund is also exempt from Kansas tax. If the mutual fund invests in both exempt and non-exempt federal obligations, the modification allowed will be that portion of the distribution received from the mutual fund attributable to direct obligations of the U.S. government, as determined by the mutual fund. These obligations include: U.S. Savings Bonds, U.S. Treasury Bills, Federal Land Bank, etc. **Attach a schedule indicating the name of each U.S. Government obligation claimed. The interest earned from Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA) and Federal Home Loan Mortgage Corporation (FHLMC) obligations is subject to Kansas tax.**

#### Line A6—State or Local Income Tax Refund Included in Federal Adjusted Gross Income

Enter on line A6 any state or local income tax refunds which are included in your federal adjusted gross income.

#### Line A7—Federal Retirement Benefits

Enter on line A7 any Federal Civil Service retirement annuity paid from the Federal Civil Service Retirement or Disability Fund and any other amounts received as retirement benefits which were earned for being employed by the federal government or for service in the armed forces of the United States which is included in your federal adjusted gross income. Attach a copy of form 1099R to verify figures claimed.

#### Line A8—Kansas Pension Plans

Enter on line A8 the amount of any Kansas pension benefits received which are specifically exempt from Kansas income tax if it was included in your federal adjusted gross income. Exempt Kansas pensions include: Kansas Public Employee's Retirement Annuities, Kansas Teacher's Retirement Annuities, Kansas Police and Firemen's Retirement System Pensions, Kansas Highway Patrol Pensions, Justices and Judges Retirement System, Board of Public Utilities and certain pensions received from first class cities that are not covered by the Kansas Public Employee's Retirement System.

Faculty and others employed by the State Board of Regents, or by educational institutions under its management, are entitled to Kansas tax exemption on income derived from retirement annuity contracts purchased for them by the State Board of Regents with either their direct contributions or through salary reduction plans.

Attach a copy of form 1099R to verify figures claimed.

#### Line A9—Railroad Retirement Benefits

Benefits received from all railroad retirement plans administered by the U.S. Railroad Retirement Board are

*Sen. Anders + Jay  
3-6-96  
attach 1-1*

exempt from state taxation by federal law. Enter on line A9 any railroad retirement benefits received from the U.S. Railroad Retirement Board which are included in your federal adjusted gross income. This exemption from Kansas taxes includes tier I, tier II and dual vested benefits as well as supplemental annuities (which are exempt by Kansas tax law). Attach a copy of form RRB-1099R to verify figures claimed.

### Line A10—Other Subtractions from Federal Adjusted Gross Income

Enter on line A10 the following other subtractions from your federal adjusted gross income:

**NOTE: You MAY NOT subtract the amount of your income reported to another state.**

- **KPERS Lump Sum Distributions:** Employees who terminated KPERS employment after July 1, 1984 and elect to receive their contributions in a lump sum distribution will report their taxable contributions on their federal return. Subtract the contributions which have been added back on your Kansas income tax returns as a modification from 1984 up to the current year.
- **Sale of Kansas Turnpike Bonds:** Enter on line A10 the gain from the sale of Kansas Turnpike Bonds if the gain was included in your federal adjusted gross income.
- **Employer Health Insurance Contribution Credit:** If your employer has contributed to a Kansas small employer health benefit plan on your behalf and these contributions have been included in your federal taxable income, enter the amount included as a modification.
- **Partnership, Subchapter "S" or Fiduciary Adjustments:** If you received income from a partnership, subchapter "S" corporation, joint venture, syndicate, trust or estate, enter on line A10 your proportionate share of any subtraction adjustments that are required. The partnership, subchapter "S" corporation, or beneficiary will provide you with the necessary information to determine these adjustments.
- **Jobs Tax Credit:** Enter on line A10 the amount of the federal targeted jobs tax credit disallowance claimed on the federal income tax return.
- **Kansas Venture Capital Inc. Dividends:** Dividend income from Kansas Venture Capital, Inc. is exempt from Kansas income tax. If you received dividends from Kansas Venture Capital, Inc., enter on line A10 the amount of this dividend income.
- **Kansas Net Operating Loss Carry Forward:** Enter on line A10 any Kansas net operating loss carry forward.

**RESIDENTS:** You must have a Federal net operating loss in order to have a Kansas net operating loss. To determine the Kansas net operating loss, the Kansas net amount subject to tax must be modified

by: (1) any net operating loss carried over from other years which is included in the net amount subject to tax; (2) the net capital losses; (3) the personal exemption deduction; and, (4) the nonbusiness deductions in excess of nonbusiness income.

If a net operating loss was incurred in a taxable year beginning after December 31, 1987, the loss may only be carried forward 10 taxable years. Form CRF, Kansas Net Operating Loss must be completed and attached to each year the loss is applied. Form CRF may be obtained from the Taxpayer Assistance Bureau.

**NONRESIDENTS:** Persons filing on a nonresident basis for Kansas must determine their Kansas net operating loss as though they were a Kansas resident (see resident information above). Part B, Nonresident Allocation, on page 2 of form K-40, is not used to determine a Kansas net operating loss. In order for nonresidents to claim a net operating loss, they must have had income or loss from Kansas sources during the loss year.

- **AFDC Family Contribution Credit:** Enter on line A10 the amount of income earned on contributions deposited to an individual development account established to pay for education expenses of the account holder.

### Line A11—Total Subtractions from Federal Adjusted Gross Income

Enter on line A11 the total of lines A5 through A10.

### Line A12—Net Modifications to Federal Adjusted Gross Income

If your total additions to federal adjusted gross income (line A4) exceed your total subtractions from federal adjusted gross income (line A11), enter on line A12 the difference between line A11 and line A4 as a positive amount. If your total subtractions from federal adjusted gross income (line A11) exceed your total additions to federal adjusted gross income (line A4), enter on line A12 the difference between line A11 and line A4 as a negative amount. Enclose negative amount in brackets.

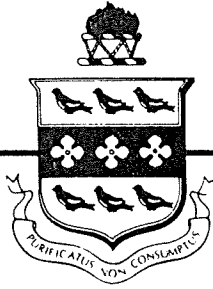
Enter the result from line A12 on line 2, page 1 of form K-40. If the amount you are carrying over to line 2, page 1 of form K-40, is a negative amount, enclose the negative amount in brackets.

### LINE 3—KANSAS ADJUSTED GROSS INCOME

If line 2 is a positive amount, add line 2 to line 1 and enter the total on line 3. If line 2 is a negative amount, subtract line 2 from line 1 and enter the result on line 3. If you made no entry on line 2, your Kansas adjusted gross income is the same as your federal adjusted gross income. Enter it again on line 3.

### LINE 4—STANDARD OR ITEMIZED DEDUCTIONS

If you did not itemize your deductions on your federal return then you must take the standard deduction on your Kansas return. If you itemized your deductions on your



# WASHBURN UNIVERSITY

Office of the President  
Topeka, Kansas 66621  
Phone 913-231-1010, Ext. 1556

**Testimony to  
Senate Committee on Assessment & Taxation  
regarding Senate Bill 683**

by  
**Hugh L. Thompson, President  
Washburn University  
March 6, 1996**

Senator Langworthy, Members of the Committee:

It is a pleasure to appear before you today to support passage of Senate Bill 683. Included with my remarks is a Resolution in support of this issue adopted by the Washburn University Board of Regents on February 14, 1996.

The issue before you is not new and it is fundamentally an issue of fairness. The pension benefits of virtually every former public employee in the state of Kansas are exempt from state income tax (with retirees from Washburn University being the exception). As you are aware, Washburn has been a public institution since 1941 and has been receiving state support since 1961. While we are not a state agency, we are and have been for decades a public employer under federal and state law.

The state has chosen, for a variety of reasons, to exempt the pension benefits of former public employees from state income tax. This exemption, although requested, has not been granted to Washburn University retirees. We feel that it is a matter of equity to extend a state policy, which appears to be designed for the benefit of retired employees of public entities, including cities, counties, school districts, community colleges, the state and Regents' institutions, to the pensions of those employees at Washburn University.

The retirement program for Washburn employees is managed by the Teachers Insurance Annuity Association-College Retirement Equities Fund (TIAA-CREF), the same pension option for unclassified employees at the state Regents' universities. This is a nationally defined contribution plan for individuals of non-profit organizations, primarily colleges and universities.

At Washburn, all employees are covered under TIAA-CREF. As a defined contribution plan, future annuities for retirees will depend upon contributions made to their accounts on the part of the University and themselves as individuals. Please note that the plan at Washburn includes all University employees, including those who, if employed by the state, would be considered classified employees included in KPERS. In our case, our employees are not eligible to participate in KPERS. Consequently, all employees, classified and unclassified, participate in TIAA.

We ask that you treat the retirees of Washburn in a manner comparable to the retirees of the other universities and community colleges in Kansas. We hope you view this as a matter of fairness and equity, and we ask for your support of Senate Bill 683. Thank you for your consideration.

*Sen. Assess + Jay  
3-6-96  
attach 2-1*

RESOLUTION

WHEREAS, the income by retirees of public employers in the state of Kansas, such as cities, counties, unified school districts, and the Kansas Board of Regents, is excluded from Kansas income taxation; and

WHEREAS, the income received by retirees of Washburn University of Topeka, a taxing subdivision of the state of Kansas, under the University's retirement plan is not so excluded from state income taxation;

WHEREAS, the Washburn University of Topeka Board of Regents believes that the income received through Kansas public employer retirement plans, on the basis of fundamental fairness, should be treated in the same manner;

WHEREAS, legislation has been introduced in the 1996 session and assigned to the Senate Ways and Means Committee which, if enacted would place Washburn retirees in the same position as retirees from the Kansas Regents institutions;

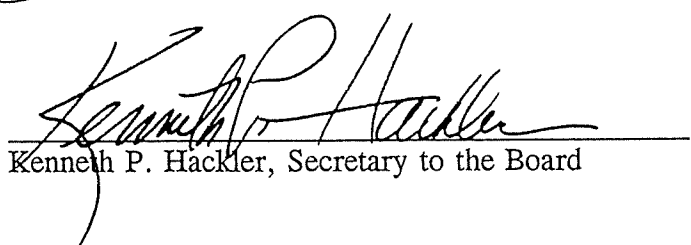
NOW, THEREFORE, BE IT RESOLVED by the Board of Regents that it support the introduction and passage of legislation in the 1996 Kansas Legislature to amend current Kansas Income Tax law to exclude from an individual's Kansas adjusted gross income the amount of income received as annuities or other retirement benefits by such individuals from the University's retirement plan; and that this Resolution be forwarded to the Chairperson of the Kansas Senate Ways and Means Committee and members of the Shawnee County Legislative Delegation.

WASHBURN UNIVERSITY OF TOPEKA BOARD OF REGENTS

BY 

James, Roth, Chairperson

This will certify that the foregoing Resolution was adopted by the Washburn University of Topeka Board of Regents at its meeting February 14, 1996.

  
Kenneth P. Hackler, Secretary to the Board

3/6/96

TO: THE SENATE ASSESSMENT AND TAXATION COMMITTEE  
SUBJECT: SENATE BILL #683  
FROM: DONALD C. WRIGHT, PROFESSOR EMERITUS, WASHBURN  
UNIVERSITY

I SPEAK IN SUPPORT OF SENATE BILL #683 WHICH WOULD PUT WASHBURN UNIVERSITY RETIREES ON THE SAME TAXATION BASIS AS THE RETIREES OF THE OTHER PUBLIC UNIVERSITIES IN THE STATE OF KANSAS. I WILL BE BRIEF.

THE TIAA-CREF PENSIONS THAT WASHBURN UNIVERSITY RETIREES RECEIVE ARE SUBJECT TO THE STATE INCOME TAX. HOWEVER, THOSE SAME PENSIONS FROM TIAA-CREF PAID TO RETIRED PERSONNEL OF THE STATE INSTITUTIONS ARE EXEMPT FROM THE STATE OF KANSAS INCOME TAX. APPARENTLY WASHBURN RETIREES ARE THE ONLY "PUBLIC" EMPLOYEES IN KANSAS THAT PAY A STATE INCOME TAX ON THEIR EMPLOYMENT PENSIONS.

THIS SEEMS TO ME TO BE A CLEAR CASE OF DISCRIMINATION, AND I BELIEVE IT SHOULD BE CORRECTED. SENATE BILL #683 WOULD CORRECT THIS INEQUITY.

I DO NOT THINK THE DISCRIMINATION AGAINST WASHBURN WAS INTENTIONAL. WASHBURN IS A UNIQUE PUBLIC UNIVERSITY. IT IS NOT A REGENT'S INSTITUTION, ALTHOUGH THE REGENTS ARE REPRESENTED ON ITS GOVERNING BOARD, AND LIKE THE REGENT'S INSTITUTIONS, PART OF WASHBURN'S OPERATING FUNDS ARE PROVIDED BY THE STATE OF KANSAS. WASHBURN IS AN INSTRUMENTALITY OF AN INSTRUMENTALITY OF THE STATE OF KANSAS. IT'S EMPLOYEES ARE PUBLIC EMPLOYEES. I THINK THE REASON WASHBURN RETIREE'S PENSIONS ARE TAXED DIFFERENTLY THAN OTHER KANSAS PUBLIC EMPLOYEES IS SIMPLY BECAUSE WE JUST SLIPPED THROUGH THE CRACKS.

THE LABOR MARKET JUSTIFICATIONS FOR EXEMPTING PUBLIC EMPLOYEE PENSIONS FROM THE STATE INCOME TAX IS JUST THE SAME FOR WASHBURN RETIREES AS IT IS FOR THE RETIREES OF THE OTHER PUBLIC UNIVERSITIES.

I WILL ADD THAT TAXING WASHBURN RETIREES' TIAA-CREF PENSIONS DIFFERENTLY THAN THE TIAA-CREF PENSIONS RECEIVED BY RETIREES FROM OTHER INSTITUTIONS HAS CAUSED CONFUSION AMONG SOME TAXPAYERS, SOME TAX PREPARERS, AND SOME DEPARTMENT OF REVENUE PERSONNEL.

I URGE YOU TO SUPPORT SENATE BILL #683 WHICH WOULD CORRECT THE DISCRIMINATION AGAINST WASHBURN RETIREES.

THANK YOU FOR YOUR CONSIDERATION.

*Sen. Assess + Tax  
3-6-96  
attach 3-1*



Testimony on Senate Bill No. 683

Senator Langworthy, Senator Bond, Senator Salisbury and other members of the Assessment and Taxation Committee present this morning.

I am Jim Young, Faculty Emeritus of Washburn University. Thank you for this opportunity to present the position of the Emeriti Faculty relative to Senate Bill 683.

This bill, if passed into law, would exempt income received as annuities and other amounts received as retirement benefits, in whatever form, by retired faculty and staff of Washburn University. As retired employees of Washburn University, a public institution, it is our position that we should receive the same tax exemptions on income derived from pensions as do all other Kansas retired employees of public institutions.

Kansas state employees and virtually all other employees of state subdivisions and municipal government qualify for these exemptions, as do public school employees. Certain other pension plans for First Class Cities not covered by the Kansas Public Employees Retirement System are also exempt from taxation.

Washburn retirees currently pay, in aggregate, state income taxes not in excess of \$50,000 a year. This represents a significant amount in many cases for retired persons on fixed incomes. For the state of Kansas, however, this amount is insignificant compared to total exemptions that other classes of state employees receive.

Washburn University is a state supported municipal institution providing vital educational services to the Topeka Community and to the state as a whole. Its retired employees deserve the same consideration as retirees from other state and locally supported institutions. In the interest of fairness and equity we earnestly solicit your favorable consideration of SB 683.

Thank you again for this opportunity to be heard. I stand ready as a representative of my retired colleagues to assist in ways that will facilitate this bill through the legislative process.

In closing, I would ask that Washburn retirees present stand and be recognized for their support of this testimony. Thank you.

*Sen. Carsers & Day*  
*3-6-96*

*attach 4-1*

SENATE BILL # 683

Legislation affecting tax income to the state requires consideration of the consequences it has on the state's income. SB #683 would diminish income to the state as it would exempt TIAA-CREF retirement income of Washburn University personnel from the state income tax.

The diminished income is minimal even though there seem to be no studies to determine the exact fiscal impact. The Legislative Research Department did make a study three or four years ago, but the study did not cover the effects of excluding Washburn TIAA-CREF income; it analyzed the effect of excluding all pension income from the state income tax.

Without access to the income tax returns of all retired Washburn personnel it is difficult, if not impossible, to arrive at an exact figure as to the loss that would result if the TIAA-CREF income was excluded from income subject to the state income tax.

I do know that I would have "saved" \$442 in the amount of state income tax paid for the year 1994 if TIAA-CREF income was excluded. That savings is probably more than the average savings as 11 of my 19 years of service at Washburn was in an administrative capacity, and the salary earned was undoubtedly in the top 10% of salaries paid.

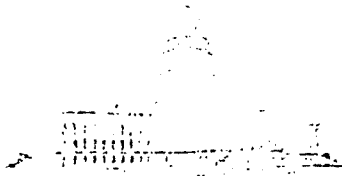
The Washburn Directory for this year lists 90 retired employees living in the State of Kansas. If the "savings" listed above is multiplied by the number of retired employees the diminished state income is \$39,780.

A sample of one is not sufficient to prove beyond the shadow of a doubt a conclusion as to the group. However, the nature of the one sample indicates that the state income reduction should not be more than \$50,000.

John E. Howe  
Faculty Emeriti  
Washburn University

*Sen. Cassens + Jay*  
*3-6-96*  
*Attach 5-4*

DICK BOND  
 SENATOR, EIGHTH DISTRICT  
 JOHNSON COUNTY  
 9823 NALL  
 OVERLAND PARK, KANSAS 66207



TOPEKA

SENATE CHAMBER

## COMMITTEE ASSIGNMENTS

ASSISTANT MAJORITY LEADER/WHIP  
 CHAIRMAN: FINANCIAL INSTITUTIONS AND INSURANCE  
 VICE CHAIRMAN: JUDICIARY  
 MEMBER: ASSESSMENT AND TAXATION  
 ORGANIZATION, CALENDAR & RULES  
 ELECTIONS, REAPPORTIONMENT  
 & GOVERNMENTAL STANDARDS  
 JOINT COMMITTEE ON  
 HEALTH CARE DECISIONS  
 FOR THE 90'S  
 JOINT COMMITTEE ON  
 CHILDREN AND FAMILIES  
 JOINT COMMITTEE ON PENSIONS,  
 INVESTMENT AND BENEFITS  
 HEALTH CARE  
 STABILIZATION OVERSIGHT  
 COMMITTEE

March 4, 1996

The Honorable Paul Burke  
 Kansas Senate President  
 Room 359-E, State Capitol  
 Topeka, KS 66612

Dear Senator Burke:

I am writing to respectfully request an interim study on three topics of importance which have been brought to my attention in my capacity as Chairman of the Senate Committee on Financial Institutions and Insurance.

The first regards Senate Bill 415, a piece of legislation purporting to eliminate from the insurance licensing statute the exemption for nonprofit life insurance companies operating exclusively for the benefit of those employed by educational institutions. The bill was introduced by Bill Sneed on behalf of AmVestors Financial Corporation and American Investors Life Insurance Company. After a late January hearing in my committee, it became apparent that the bill's major impact would be on a company called TIAA-CREF (Teachers Insurance Annuity Association-College Retirement Equities Fund), represented by Brad Smoot.

Several troubling issues were raised at the hearing, including TIAA's exemption from licensing requirements, taxation, and participation in the guaranty fund. Other complicated issues raised involved premium taxes and guaranty fund assessments on Kansas-licensed companies. After an extensive hearing on these issues, it became clear to me that the issue merited further study. I respectfully suggest that an interim study of the issues in this bill would be most appropriate.

The second issue is not embodied in a bill. It is an issue of Kansas economic development based on the suggestion that the Kansas premium tax on annuities be eliminated. Currently, Kansas imposes a 2% tax on annuities written in the state of Kansas. It has come to my attention that most other states do not impose such a tax. Further, these other states without a premium tax on annuities impose regulatory tax on annuities written by companies domiciled in a state, such as Kansas, which does tax annuity premiums. In other words, not only are Kansas companies which write annuities affected by the tax on Kansas premiums, they are hit with a retaliatory tax on their premiums in other states.

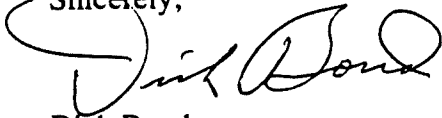
As you can see, the elimination of premium tax on annuities in this state is a suggestion with a potential for great impact on economic development in this state. However, elimination of an entire class of tax revenue is not an issue to be taken lightly. I respectfully submit that this important issue merits study by an interim committee.

*Sen. Assess + Tax*  
*3-6-96*  
*attach 6-1*

Senate President Paul Burke  
March 4, 1996  
Page 2

The third issue relates to the subject of Senate Bill 683. I believe this measure was introduced by Senator Salisbury and exempts TIAA-CREF annuity benefits of Washburn retirees from state income tax. The argument is made that these same annuity benefits for public employees have been tax exempt and the issue is one of fairness. I suggest this is a problem that a legislative study should address.

Sincerely,

A handwritten signature in black ink, appearing to read "Dick Bond". The signature is written in a cursive style with a large, looping initial "D".

Dick Bond  
Senator, District Eight

jk

c: Senator Alicia Salisbury