

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by Chairman Edmonds at 9:00 a.m. on February 20, 2002 in Room 519-S of the Capitol.

All members were present except: Representative T. Powell, excused

Committee staff present: Chris Courtwright, Legislative Research Department  
April Holman, Legislative Research Department  
Don Hayward, Revisor  
Mary Best, Secretary

Conferrees appearing before the Committee: Rep. Findley  
Rep. Bethell  
Larry Magill, Kansas Association of Insurance Agents

Others Attending: See attached list.

By unanimous consent bill will be introduced at the request of the Kansas Taxpayers' Network to require approval by a majority of the electors before school districts raise property taxes.

By unanimous consent bill will be introduced at the request of the Kansas Taxpayers' Network to require approval by a majority of the electors before cities raise property taxes.

By unanimous consent bill will be introduced at the request of the Kansas Taxpayers' Network to require approval by a majority of the electors before counties raise property taxes.

By unanimous consent bill will be introduced at the request of the Kansas Taxpayers' Network to amend the Constitution to require approval by a two-thirds vote of both houses of the legislature or, if provided by law, a majority of the electors, before raising any taxes.

**The Chairman opened simultaneous hearing on two bills**

**HB 2383 - Income tax deduction for long-term health care insurance premiums;**

**HB 2685 - Income tax credit for long-term health care insurance program**

Representative Bethell presented testimony in specific support of **HB 2685** (Attachment #1). He stated the concern this year about funding the programs of the state with the current revenue is just a prediction of what will be the issue yet to come. When the figures of the Kansas Department of Aging are analyzed it becomes apparent that the cost of Long-Term Care in Kansas for those who receive assistance is growing at a rate that cannot be sustained. **HB 2685** would encourage individuals to at least consider their personal responsibility for the care they desire in the future by providing a tax credit for those who purchase a qualified long-term care insurance contract. The bill also includes a sliding scale based on age providing an enticement for employers to consider making long-term care insurance a part of their benefit package.

Representative Bethell responded to questions.

Representative Findley presented testimony in support with specific reference to **HB 2383** (Attachment #2). He noted the issue of long-term care is becoming of more and more concern at all levels of government all across the country. Legislators are becoming increasingly concerned about the state's ability to pay for long-term care. **HB 2383** provides an incentive to purchase long-term care insurance by establishing a deduction not to exceed \$2,000 of the premium costs for a qualified long-term care insurance contract as defined in the Federal Internal Revenue Code. Fiscal Note issued last year for **HB 2383** estimated that individuals deducting \$2,000 could reduce their Kansas tax liability by a maximum of \$129 and estimated the total fiscal impact on the State General Fund would be \$7.1 million. Representative Findley noted that providing incentives for purchase of long-term health care insurance would encourage purchase of policies at a younger age at a lower premium.

## CONTINUATION SHEET

Larry Magill presented testimony in support of **HB 2383** and **HB 2685** on behalf of the Kansas Association of Insurance Agents (Attachment #3). Included in his testimony was information that Long Term Care as a life industry product is still relatively new and has never fulfilled its promise. It has not been bought in the volume that the industry anticipated. It is a coverage that has to be sold. Many people feel that they will simply run their funds out, give them away to the children or spend them on nursing home costs, if they live long enough. He believes an income tax incentive, either in the form of a tax credit or a tax deduction, will be a huge step in encouraging people to buy long-term care insurance which will reduce Medicaid expenditures and benefit the state far more in the long run.

The hearing on **HB 2383** and **HB 2685** was closed.

The meeting adjourned at 9:30 a.m. The next scheduled meeting will be February 21.



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## Testimony on House Bill 2685

Chairman Edmonds and members of the House Taxation Committee I am Bob Bethell, Representative of District 113. I thank you for allowing me to be here and request your support for HB 2685.

This year is a good example of what the future holds for Kansas and the United States. The concern about funding the programs of the state with the current revenue is just a prediction of what will be the issue yet to come. When the figures of the Kansas Department on Aging are analyzed it becomes apparent that the cost of Long-Term Care in Kansas for those who receive assistance is growing at a rate that cannot be sustained. KDOA presents that with fewer recipients each year for the last 5 years the cost of care for the aging portion of our population residing in nursing facilities has grown 8% per year. Scaling back these figures to 5% growth and then projecting the cost in the year 2025 one finds that the cost of annual LTC, which is approximately \$36,000.00 today, will cost in today's dollars \$125,000.00 annually. The citizens of Kansas cannot afford to continue in the current way to fund LTC.

HB 2685 creates an atmosphere that would encourage individuals to at the very least consider their personal responsibility for the care they desire in the future. The encouragement comes in the form of a tax credit for those who purchase a qualified long-term care insurance contract. A sliding scale exists based on age and enticement is provided for employers to consider making LTC insurance a part of the benefit package for their organization.

Mr. Chairman HB 2685 is good for the people of Kansas and I encourage the support of the committee.

I will stand for any questions.

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 Attach. No. 1  
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HOUSE OF

REPRESENTATIVES

## TESTIMONY ON HOUSE BILL 2383

Chairman Edmonds and Members of the House Taxation Committee:

Thank you very much for this opportunity to present testimony on House Bill 2383 which would provide an income tax deduction for certain long-term care insurance premium costs.

The issue of Long-term care is one that is becoming of more and more concern to policymakers at all levels of government all across the country. Many legislators are becoming increasingly concerned about their state's ability to pay for long-term care for a growing elderly population. Kansas, the 2000 US Census revealed, is a state that is blessed with a growing longevity of its citizens. With this blessing, also comes a whole host of policy challenges, including how to provide care and ensure a high quality of life for our Kansas senior's.

HB 2383 is offered as a way to help meet the challenges by helping Kansas senior's stay in their own homes longer by providing an incentive to purchase long-term care insurance. Long-term care insurance will help provide necessary funding to acquire services that help assist with bathing, meals, and other important needs all aimed at keeping seniors in their homes longer and out of nursing homes. Long-term care insurance can help provide options for older citizens and their families and enhance freedom of choice for seniors.

The deduction amount established in HB 2383 could not exceed \$2,000 of the premium costs for a qualified long-term care insurance contract as defined in the Federal Internal Revenue Code. In a Fiscal Note issued by the Department of Revenue last year for HB 2383, Individuals deducting \$2,000 could reduce their Kansas tax liability by a maximum of \$129. It was estimated the total fiscal impact on the State General Fund would be \$7.1 million.

Thank you again for this opportunity to testify in favor of HB 2383. I would be pleased to stand for questions.

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 Attach. No. 2  
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**Testimony on H.B. 2383 and H.B. 2685**  
**Before the House Taxation Committee**  
**By Larry Magill**  
**Kansas Association of Insurance Agents**  
**February 20, 2002**

Thank you Mr. Chairman and members of the Committee for the opportunity to appear today in support of House Bill 2383 and 2685. My name is Larry Magill, executive vice president of the Kansas Association of Insurance Agents. My member agencies write about 75% of the business insurance in the state, about 40% of the personal insurance and some life and health including long term care.

I must confess that given the state's fiscal situation, I did not think these two bills would have a hearing this year. Nor am I an expert on Long Term Care insurance or the tax code. About the only thing I can claim is that I understand the basic principals of LTC and I pay taxes.

Having that out of the way, I can tell you that Long Term Care, as a life industry product is still relatively new and that it never has fulfilled it's promise when it was developed. The product has not been bought in the volume that the industry anticipated. But with the Baby Boom generation beginning to pay for their parents to enter nursing homes, the need for the product is likely to become much better recognized.

Still it's a coverage that has to be sold. Many people feel that they will simply run their funds out, give them away to the children or spend them on nursing home care and then look to Medicaid for payment of their nursing home costs, if they live long enough. Anything the state can do to encourage people to buy Long Term Care insurance, will reduce Medicaid expenditures and benefit the state far more in the long run. An income tax incentive, either in the form of a tax credit or a tax deduction, will be a huge step in that direction.

The Federal government has recognized the importance of these kinds of incentives by allowing businesses to deduct the cost of group Long Term Care insurance as an employee benefit. Congress is currently considering legislation that would allow individuals to pay the cost of the LTC through their Section 125 Cafeteria Plans like they can pay the cost of their health insurance now.

The Baby Boomers are rapidly approaching the "point of no-return" on LTC where due to their age it will become cost prohibitive. It makes good economic sense for the state to incentivize people to buy the coverage. It isn't a fun way to spend your money but it is a responsible way to plan for your retirement and to avoid feeling like a ward of the state at the end of your life.

I would be happy to provide additional information if the Committee desires to pursue this further or attempt to answer questions today. Thank you for your consideration of both these measures.

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Attach. No. 3  
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