

SESSION OF 2006

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2771

As Amended by House Committee on
Insurance

Brief*

HB 2771, as amended, would amend licensure requirements under the Uniform Insurance Agents Licensing Act for nonresident insurance agent licensees to provide for license revocation for nonpayment of income tax. Specifically, the bill would create new law to allow for a process of notification by the Secretary of Revenue to the Insurance Commissioner of income tax delinquency of nonresident licensees. This requirement would only apply to nonresidents in a state that has a similar policy of checking for delinquency. The Commissioner is to certify to the Secretary a list of those states which withhold nonresident license renewal for Kansas insurance agents pending proof of filing income tax returns by such agents in the nonresident state. The Commissioner is directed to include information for each licensee from the identified states including name and address; social security number or taxpayer identification number or federal employer identification number; and date of license renewal.

The list is to be electronically provided to the Secretary in a format approved by the Secretary. The Secretary is to then review the listed licensees and is to mail the notice of income tax delinquency to any nonresident licensee who is delinquent in either the payment of income taxes or the filing of income tax returns. The Secretary is to notify the Commissioner promptly whenever any listed licensee has satisfied the income tax delinquency. The exchange of information between the two officials is to be considered lawful; any information received by the Secretary is to only be used for the purpose authorized by the bill. Anyone in receipt of the confidential taxpayer information at either department, regardless of employment status, is to be subject to provisions of KSA 79-3234 or KSA 79-3614.

The bill also would amend two provisions of agent licensure law to allow for suspension, revocation or refusal for nonresident license renewal by the Insurance Commissioner. The Commissioner also

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

would be required, upon notice of income tax delinquency of a nonresident agent licensee from the Secretary of Revenue, to deny, suspend, revoke, or refuse renewal of any license of such nonresident agent licensee.

Background

HB 2771 was introduced by the House Insurance Committee at the request of Representative Peck who spoke to a concern about Kansas insurance agents giving income tax dollars to the State of Missouri that belong to Kansas and that the bill would serve as a reciprocal bill not only to Missouri but to any state that would require Kansas insurance agents to pay income taxes to it. A representative of the Kansas Insurance Department spoke in support of the bill, noting the Department's support of the overall principle of protecting Kansas agents. The bill also was supported by the Kansas Association of Independent Agents. There were no opponents to the bill at the House Committee hearing.

The House Committee on Insurance amended the bill to remove the time frames associated with the requirements for communication of an electronic list by the Insurance Commissioner and the response, review and provision of notice to nonresident agent licensees who are delinquent in payment of or filing of income tax returns by the Secretary of Revenue. Rep. Peck requested the amendment.

The corrected version of the fiscal note prepared by the Division of the Budget on the introduced version of the bill indicates that passage of the bill would cost the Kansas Insurance Department \$35,000 in FY 2007. Of that amount, \$25,000 would be for the addition of 1.0 FTE position and \$10,000 would be for the cost of computer programming. The additional FTE would be necessary to administer the program. The Kansas Department of Revenue provided revised estimates on the fiscal effect of the bill. The Department states that the costs of implementation are estimated to be \$103,900. Of this amount, \$93,100 is for salaries and wages for 2.0 new FTE positions, \$1,700 is for operating expenditures, and \$9,100 is for one-time costs for two additional workstations. The additional FTE positions would be necessary to handle the manual review process of over 52,000 agents within a 30-day time frame. The passage of the bill would likely increase State General Fund (SGF) revenues. The Department of Revenue estimates that the additional SGF revenue would be approximately \$107,800. The fiscal note also indicates that Missouri currently is the only state that denies a

nonresident insurance agent a license due to nonresident income tax delinquency, and there are approximately 7,700 Missouri residents who are licensed as nonresident agents in Kansas. The Department's estimates are based on an average nonresident insurance agent income of approximately \$50,000, an 8.0 noncompliance rate, and an average Kansas tax rate of 3.5 percent. The House Committee amendments appear to alter the fiscal impact on the Department of Revenue, namely the necessity of the 2.0 FTE positions.