

SESSION OF 2026

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2602

As Recommended by House Committee on
Insurance

Brief*

HB 2602 would establish requirements for a portable benefit plan for an independent contractor, would determine types of contributions to such plans and would provide a subtraction modification for Kansas income tax purposes. The bill would also define certain terms.

Definitions (New Section 1)

The bill would define certain terms, including:

- “Bank” to mean a bank incorporated under the laws of this state or organized under the laws of the United States, another state, or a territory of the United States that is insured by the Federal Deposit Insurance Corporation;
- “Hiring party” to mean any person or entity, whether public or private, including an internet or application-based company that hires or enters into a contract with an independent contractor;
- “Independent contractor” to mean an individual that performs services for remuneration for a specific result under the control of the hiring party as to the result of the individual’s work only and not as to the means by which such result is accomplished or an individual who performs services for remuneration

*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 <https://klrd.gov/>

and is not an employee under the common law rules that may be applicable to determining an employer-employee relationship, as applied for federal employment tax purposes;

- “Portable benefit plan” to mean a benefit plan that is administered by a third-party portable benefit plan provider chosen by the independent contractor and assigned to a beneficiary. “Portable benefit plan” does not include a benefit plan administered by a hiring party; and
- “Portable benefit plan provider” to mean the administrator of a portable benefit account, who could be:
 - A bank;
 - An investment management firm;
 - A technology provider or program manager that offers services through a bank or investment management firm; or
 - Other person or entity that is determined by the State Bank Commissioner to meet requirements for administration of a plan.

Portable Benefit Plan Provisions (New Section 1)

The bill would require a portable benefit plan provider to provide one or more of the following in a portable benefit plan:

- Health insurance;
- Income replacement insurance;
- Disability insurance;
- Life insurance; or
- Retirement benefits.

Hiring Party Contributions

The bill would allow any hiring party to contribute funds to a portable benefit account by using the following methods:

- Funds of the independent contractor;
- Funds of the hiring party; or
- A percentage of funds withheld from compensation owed to an independent contractor if the:
 - Withholding of compensation is expressly agreed to in writing;
 - Written agreement is clear, unambiguous, and prominently displayed in a contract or invoice of services provided;
 - Withholding is voluntarily elected by the independent contractor and requires the contractor to opt into the plan; and
 - Independent contractor could opt out of the withholding at any time.

Employment Classification

The bill would provide that contributions to a portable benefit account would not be able to be used as a criterion for determining a worker's employment classification.

Federal Adjusted Gross Income (Section 2)

The bill would amend law to provide for the tax treatment of funds contributed to a portable benefit plan by creating subtraction modifications from federal adjusted gross income beginning in tax year 2027 for:

- The amount contributed to a portable benefit plan by a hiring party taxpayer to the extent that such

contributions are not already deducted on the taxpayer's federal income tax return for such taxable year when determining the taxpayer's federal adjusted gross income or are not otherwise subtracted or deducted from the taxpayer's federal adjusted gross income; and

- The amount contributed to a portable benefit plan to the extent that such amount is included in the independent contractor taxpayer's federal adjusted gross income.

Background

The bill was introduced by the House Committee on Insurance at the request of Representative L. Williams.

House Committee on Insurance

In the House Committee hearing, **proponent** testimony was provided by Representative L. Williams and representatives of Americans for Prosperity–Kansas Chapter, Independent Women, and the Institute for the American Worker, who indicated the bill would modernize the labor and benefits framework by allowing workers who choose to be independent contractors to access benefits like health coverage, disability or income replacement insurance, life insurance, or retirement benefits while maintaining their flexibility of independent contracts. The proponents noted 220,000 Kansans earn income through independent work.

Written-only proponent testimony was provided by the Mercatus Center at George Mason University and Libertas Institute.

No other testimony was provided.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, the Kansas Department of Revenue (KDOR) estimates the bill would decrease State General Fund (SGF) revenues by \$3.1 million in FY 2027 and by \$10.4 million in both FY 2028 and FY 2029. To formulate these estimates, KDOR reviewed data on independent contractors from the U.S. Bureau of Labor Statistics. As of December, Kansas was reported to have a total employment of 1.5 million workers, and independent contractors make up approximately 7.1 percent of the Kansas workforce and earn a median full-time wage of \$949 per week. If half of Kansas independent contractors put 7.0 percent of their earnings into a portable benefit plan to cover life insurance, \$185.5 million in contributions would be newly deductible. Using an effective tax rate of 5.58 percent, the bill would reduce state income tax collections by approximately \$10.4 million per year. The estimate for FY 2027 includes 30.0 percent of tax year 2027 tax liability. The estimate for FY 2028 includes 70.0 percent of tax year 2027 tax liability and 30.0 percent of tax year 2028 tax liability.

KDOR indicates the bill would require \$84,200 from the SGF in FY 2027 to implement the bill and to modify the automated tax system. The required programming for this bill by itself would be performed by existing staff of KDOR. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds KDOR's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the KDOR's current budget may be required. Any fiscal effect associated with the bill is not reflected in *The FY 2027 Governor's Budget Report*.

Portable benefit plans; independent contractor; bank; portable benefit plan provider; federal adjusted gross income; tax