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Written testimony in support on Senate Bill 445

**Submitted to the Senate Committee on Assessment and Taxation
By Kansas State Treasurer Jake LaTurner**

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Madam Chair and Members of the Assessment and Taxation Committee:

Thank you for opportunity to submit written testimony in support of SB 445. As written, the proposal makes some very positive changes to the Kansas ABLE Act and will help build a culture of saving in our state.

The Kansas ABLE Act was approved by the 2015 Legislature, and was done with broad, bi-partisan support. Prior to its enactment, an individual with a disability was only allowed to possess up to \$2,000 in assets or face the possibility of losing his or her federal disability benefits. Many in the disability community were essentially being conditioned to rely on government as their sole source of assistance.

With an ABLE Account, that same individual can now save up to \$15,000 annually (capped at \$100,000 total), without endangering their benefits. Additionally, the earnings on account investments are federally tax-deferred and tax-free, if used for qualified disability expenses. All of this helps parents, relatives, friends, fellow church and/or community members assist a person in their lives, who happens to have a disability, save for their future.

Under current law, there is no state tax deduction for contributions made directly to an ABLE Account. However, Kansans can currently deduct annually up to \$3,000 (\$6,000 for married, filing jointly) from their gross income for contributions made into each beneficiary's 529 Account, for tax purposes. Federal tax reform now affords ABLE account holders the ability to roll over contributions made to their 529 Account. Thus, Kansans can receive a tax

deduction for dollars that will eventually end up in their ABLE Account. SB 445 would make the Kansas tax code more transparent by giving a direct tax deduction for ABLE contributions and would further incentivize individuals with a disability to save for their future.

In addition to a worthy change in Kansas tax policy, SB 445 would eliminate what is commonly referred to as the “Medicaid Claw Back.” Under current law, if an individual on Medicaid passes away, Medicaid Administrators, in some cases, have the authority to take possession of the deceased person’s assets. A number of parents and guardians of individuals with disabilities have expressed concern about a potential claw back.

Though they see the benefits of ABLE accounts, these parents and guardians fear that if an account holder were to pass away unexpectedly, their savings and investments would be taken by Medicaid. When a loved one is lost unexpectedly, the possibility of a claw back is one of the last things someone should have to worry about. Thus, SB 445 helps eliminate potential claw backs by allowing the transfer of all or a portion of the ABLE Accounts assets to a relative.

Our hope is that the addition of the state tax deduction for contribution and the language addressing the Medicaid claw back, more Kansans will utilize ABLE Accounts. Individuals with a disability should be given every opportunity to save and SB 445 takes a couple of steps forward toward this goal. I cannot more strongly urge the committee to support this proposal, and would encourage both chambers of the legislature to take action this session.

Respectfully Submitted,

Jake LaTurner
Kansas State Treasurer