

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:35 A.M. on February 17, 2005 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research
Martha Dorsey, Kansas Legislative Research
Gordon Self, Revisor of Statutes Office
Nancy Kirkwood, Secretary

Conferees appearing before the committee:

Senator Barnett
Bill Sneed, America's Health Insurance Plans (AHIP)
Ken Daniel, Midway Wholesale, Topeka
Hal Hudson, National Federation Independent Business (NFIB)
Beverly Gossage, Health Saving Account Specialist, Olympic Financial Marketing
Lew Ebert, President & CEO, Kansas Chamber of Commerce (KCCI)
Ashley Sherard, Vice President, Lenexa Chamber of Commerce
April Holman, Kansas Action for Children
Joan Wagon, Secretary, Kansas Department of Revenue (KDOR)

Others attending:

See attached list.

Hearing on:

SB 257 - Income Tax credits for employer contributions to employee health benefit plans and health savings accounts

Senator Barnett testified before the Committee in support of **SB 257**. Senator Barnett's testimony stated **SB 257** reflects the wishes and desires of the majority of small business owners in Kansas. Attached to Senator Barnett's comments were the results of surveys performed by Legislative Research during 2004, with small businesses across the State, noting Figure 6 represents strong support for Health Savings Accounts. Also, Figure 9 reflects the Effect of Tax Credits on Offering Health Insurance (Attachment 1).

Bill Sneed, representing AHIP, testified in support of **SB 257**. Mr. Sneed stated AHIP is the national trade association representing nearly 1300 member companies providing health insurance coverage to more than two hundred million Americans (Attachment 2). Mr. Sneed presented to the Committee a comparison of Tax-Advantaged Health Care Spending Accounts (Attachment 3).

Testifying in support of **SB 257**, was Ken Daniel, CEO, Midway Wholesale. Mr. Daniel appeared as a volunteer Board Member, Kansas Health Partners Benefit Association. Mr. Daniel testified in support of **SB 257**, asking the Committee's consideration of four recommended changes to **SB 257** (Attachment 4).

Hal Hudson, State Director, NFIB, speaking to **SB 257**, was in support. Mr. Hudson stated for more than 10 years health care, health insurance, availability and cost, have ranked as the number one problem or cause for concern by small business owners (Attachment 5).

Beverly Gossage, Health Saving Account (HSA) specialist, stated the best service the Kansas Health Partners Benefit Association and the Insurance Commissioner's office can provide to small businesses is to provide information about HSA qualified plans and related tax credits, not develop a plan, or endorse a particular company or its plan. Ms. Gossage presented testimony in support of **SB 257**, with a recommended change to Section 3 (Attachment 6).

Testifying as a proponent to **SB 257** was Lew Ebert, President and CEO, KCCI. Mr. Ebert stated **SB 257** would provide additional incentives for companies to offer health insurance to their employees (Attachment

CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 10:35 A.M. on February 17, 2005 in Room 519-S of the Capitol.

7).

Written testimony in support of **SB 257** was furnished by Ashley Sherard, Vice-President, Lenexa Chamber of Commerce (Attachment 8).

There being no others wishing to testify on **SB 257**, Chairperson Allen closed the hearing.

After further questions, recommendations, and suggestions, the Chair stated **SB 257** is worthy of a subcommittee. The Majority Leader agreed to bless the bill, and Chairperson Allen set up a subcommittee on **SB 257** with the following members: Senators Allen, Lee, and Jordan.

SB 156 - Tax and revenue assessment report by secretary of revenue to legislature

April Holman appeared on behalf of Kansas Action for Children in support of **SB 156**. Ms. Holman stated **SB 156** would require the Department of Revenue to publish an annual report on tax expenditures. The passage of **SB 156** would ensure the ongoing availability of basic information about government expenditures to the taxpayers and policymakers through this report (Attachment 9).

Secretary Wagon stated KDOR supports **SB 156**, currently produces this report, and intends to continue producing it annually, whether this legislation is enacted or not (Attachment 10).

April Holman testified in support of **SB 159** on behalf of Kansas Action for Children. **SB 159** would require the Department of Revenue to publish a Tax Incidence analysis every three years. A Tax Incidence analysis is a study of the distribution of tax burden between income groups, identifying which groups are most affected by taxes (Attachment 11).

Secretary Wagon, recognized by Chairperson Allen, spoke to **SB 159**. The Secretary of Revenue stated the Department lacks data that would indicate sales tax or property tax expenditures by taxpayer, per household income level. This type of data would need to be gathered through consumer surveys and would involve significant research resources, which the Department lacks. At least this portion of the Tax Incidence study would need to be outsourced. It is estimated the outsourcing costs for such a study could be in the range of \$50,000. When bids are solicited, the actual cost could be significantly higher.

There being no others wishing to testify on **SB 156** and **SB 159**, the Chair closed the hearings.

Final action on:

SB 256 -Income tax exemption for amounts received for recruitment and student loan repayments by members of military

At the previous meeting, the Committee indicated its desire for a fiscal note from the Department stating the fiscal impact of **SB 256**. Steve Stotts, Director of Taxation, stated he had received the information for the fiscal note from the Kansas National Guard only. The fiscal note showed individuals could subtract certain types of military-related income from their federal adjusted gross income when figuring their Kansas income tax liability. The military income to which **SB 256** would apply includes recruitment, signing and retention bonuses, and repayment of education or student loans. This bill would apply to those serving in the Kansas Army and Air National Guard, as well as to those serving in the regular military.

Steve Stotts, at the request of the Committee, distributed a chart on other states' tax policy with respect to income tax exemptions for military recruitment bonuses and repayment of student loans. No other states currently allow those exclusion (Attachment 12).

Chairperson Allen informed the Committee it would wait to take action on **SB 256**. The Committee would work **SB 256** on Monday or Tuesday of next week. By that time, the Committee would hopefully have information as to the fiscal impact for including all military personnel in the bill.

CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 10:35 A.M. on February 17, 2005 in Room 519-S of the Capitol.

SB 13 - Confidentiality and disclosure requirements of tax information

Chairperson Allen brought the Committee's attention to **SB 13**. This bill has been re-referred to Committee for further discussion. The Department of Revenue has presented a balloon to discuss today. Secretary Wagnon stated KDOR has met with the liquor industry, and has agreed to this balloon as currently written. (Attachment 13).

Chairperson Allen called for the Committee's intentions regarding **SB 13**. Senator Lee made a motion to adopt the balloon amendment presented by the Department of Revenue. Senator Goodwin seconded the motion. The motion carried.

Senator Lee made a motion to pass SB 13 out favorably as amended, seconded by Senator Goodwin. The motion carried.

The Chair informed the Committee it would not meet tomorrow. It would meet Monday, and there would be a revised agenda.

The meeting was adjourned at 12:00 p.m. The next meeting is scheduled for Monday, February 21, 2005.