

Michael Welton

From: Melissa Calderwood
Sent: Friday, February 01, 2013 1:51 PM
To: Rob Olson; Jeff Longbine; Tom Hawk; Elaine Bowers; Jim Denning; Laura Kelly; Dan Kerschen; Jacob LaTurner; Vicki Schmidt
Cc: Ken Wilke; Mark Dapp; Michael Welton
Subject: SB 51 fiscal note -- clarification
Attachments: fisc_note_sb51_00_0000.pdf

Committee members –

Following Committee discussion on Thursday regarding the fiscal note presented for SB 51 (Kansas Bankers Association – option to self-insure), I submitted a request for clarification to the Kansas Insurance Department. The request cited the fiscal note and the anticipated loss of premium tax dollars should the Association opt to self-insure and inquired about the implication(s) KSA 40-2222b (question raised by Revisor Wilke) could have on the amount of premium tax dollars assessed by the Department. I asked the representative (Kris Kellim) to quantify, if possible, the net loss of premium tax dollars to the State using premium dollars cited by the KBA in their testimony to the Committee. I have attached the original fiscal note for your consideration.

Here is the response provided by Mr. Kellim:

The amendment in SB 51 would result in a loss of *up to* 1% of premium taxes that would be paid on the KBA's premiums. The 2% premium tax is subject to offsets and could in fact result in a tax lower than 2%. The premium tax for self-funded plans is a straight 1%. So the potential loss in revenue would be at least the difference between the 2% premium tax with offsets and 1%, or at most 2% (without offsets) minus 1%. Based on the \$61 million premium figure quoted in the KBA's testimony on SB 51, the loss in premium tax revenue would be as high as \$610,000 (1% of \$61 million). This is only an estimate based on the KBA's assertions in its testimony.

Please review this response and let me know if you have additional questions regarding SB 51's fiscal note.

Melissa

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Senate Financial Institutions & Ins.

Date: _____

Attachment # _____