

SESSION OF 2013

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2369**

As Amended by House Committee on Taxation

**Brief\***

HB 2369, as amended, would allow certain small employers to establish "health reimbursement arrangements" (HRAs) for the purpose of contributing to employees' individually underwritten health insurance premiums, whether or not the employees' portion of the premiums are paid through cafeteria plans. An HRA would be defined to mean an employer-funded, tax-sheltered account to reimburse allowable medical expenses, including insurance premiums.

A new subtraction modification would be provided within the individual income tax law such that, beginning in tax year 2013, amounts paid for individually underwritten and privately purchased health insurance policy premiums would be subtracted from federal adjusted gross income prior to the determination of Kansas adjusted gross income. Additional language would provide that taxpayers could not simultaneously avail themselves with this new subtraction modification and an itemized deduction available under current law for certain medical expenses, including health insurance purchases.

**Background**

Proponents of the bill at the Senate Committee hearing included representatives of the Kansas Chamber and the National Federation of Independent Business-Kansas.

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\*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>

On March 22, the House Taxation Committee amended the bill to add the provision preventing taxpayers from claiming the new subtraction modification, as well as the existing itemized deduction.

The latest fiscal information available from the Department of Revenue, as of March 22, indicated the amended version of the bill would be expected to reduce State General Fund receipts by the following amounts:

(\$ in millions)

FY 2014	\$ (15.3)
FY 2015	(27.2)
FY 2016	(28.6)
FY 2017	(30.0)
FY 2018	<u>(31.5)</u>
<b>5-yr total</b>	<b>\$ (132.6)</b>