

SESSION OF 2018

**THIRD CONFERENCE COMMITTEE REPORT BRIEF
HOUSE BILL NO. 2067**

As Agreed to April 30, 2018

Brief*

HB 2067 would amend Kansas law related to savings accounts established for designated beneficiaries to pay for qualified disability expenses pursuant to sections 529 and 529A of the Internal Revenue Code of 1986.

The bill would allow the proceeds from such an account established pursuant to section 529A to be transferred upon the death of a designated beneficiary to such beneficiary or an account for another eligible individual specified by the designated beneficiary. The bill would also disallow the State, or any agency or instrumentality thereof, from seeking the proceeds from such an account, except when such action would be otherwise required by the federal Social Security Act. Current law allows the Kansas Medicaid plan to seek such proceeds following the death of a beneficiary for benefits provided to the beneficiary.

The bill would also extend a subtraction modification for purposes of Kansas individual income taxes to contributions made to a qualified savings account established pursuant to section 529A. Current law allows for such modifications for contributions to savings accounts established pursuant to section 529. The cumulative amount of the subtraction modification would remain at \$3,000 (or \$6,000 for a married couple filing a joint return) per year for each designated beneficiary.

*Conference committee report briefs are prepared by the Legislative Research Department and do not express legislative intent. No summary is prepared when the report is an agreement to disagree. Conference committee report briefs may be accessed on the Internet at <http://www.kslegislature.org/kldr>

Finally, the bill would eliminate a requirement that expenditures made from a savings account established pursuant to section 529 must be used at an institution of postsecondary education in order for a taxpayer making contributions to such an account to be able to claim the subtraction modification.

Conference Committee Action

The third Conference Committee agreed to delete the previous contents of HB 2067 (pertaining to amendments to the Uniform Insurance Agents Licensing Act to permit fingerprinting of certain applicants) and insert the contents of SB 449, as amended by the House Committee on Taxation.

Background

HB 2067 previously addressed application requirements in the Uniform Insurance Agents Licensing Act. The provisions previously contained in HB 2067 were subsequently enacted as part of 2017 SB 14.

SB 449 (Savings Accounts)

The provisions concerning Kansas law relating to certain savings accounts were previously contained in SB 449. SB 449 was introduced by the Senate Committee on Assessment and Taxation. At the Senate Committee hearing on the bill, Senator Baumgardner testified in support of the bill. There was no other testimony.

The Senate Committee recommended SB 449 be placed on the Consent Calendar.

At the House Committee on Taxation hearing, State Treasurer LaTurner, representatives for the Disability Rights Center of Kansas and the Cerebral Palsy Research

Foundation of Kansas, and a parent spoke in support of the bill, stating the legislation would take advantage of recent changes to federal tax law, which should benefit persons with disabilities. Representative Davis and several individuals provided written-only testimony in support of the bill. There was no other testimony.

The House Committee on April 5, 2018, amended the bill to clarify the circumstances under which the State, or its agencies or instrumentalities, would be prohibited from seeking proceeds from section 529A accounts.

The House Committee of the Whole on April 27, 2018, amended the bill to insert provisions relating to the creation of an income tax credit for purchases from certain qualified vendors (HB 2416, as amended by House Committee of the Whole).

According to the fiscal note prepared by the Division of the Budget on SB 449 as introduced, the Department of Revenue estimates the bill would reduce State General Fund revenues by \$30,000 in FY 2019 and that amount has the potential to increase slightly in FY 2020 and future years. The Kansas Department of Health and Environment indicates it is unable to estimate the amount of funds that the estate recovery program would no longer be able to collect under the provision of the bills. Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2019 Governor's Budget Report*.

taxation; income tax; savings accounts

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