

*SPECIAL SESSION OF 2005*

**SUPPLEMENTAL NOTE ON SENATE BILL NO. 1**

As Amended by Senate Committee of the Whole

**Brief\***

SB 1, as introduced, would require the State of Kansas to reimburse premiums for \$250,000 in life insurance coverage to members of the Kansas National Guard called to federal active duty in a combat zone (as defined by the Internal Revenue Service). Reimbursement of life insurance premiums would be made through the Adjutant General's Office to the eligible member. The bill includes provisions for a transition period between the repeal of death benefit payments and the establishment of reimbursed premium payments by the State. To finance the provisions of the bill, the National Guard Life Insurance Premium Reimbursement Fund would be established in Senate Bill 4, with an expenditure limitation of \$390,000.

Additionally, the bill would amend 2005 Senate Substitute for HB 2518 and remove the provisions relating to the direct payment of death benefits to the beneficiary or beneficiaries of the Kansas National Guard members killed while on federal active duty in a combat zone. Certain provisions of 2005 Senate Substitute for HB 2518 would be repealed September 1, 2005. SB 1 does not remove death benefit payments totaling \$750,000 made to the beneficiaries of three Kansas National Guard members already killed in the line of duty.

The bill also would transfer \$390,000 from the State General Fund to the National Guard Life Insurance Premium Reimbursement Fund for Fiscal Year 2006.

Finally, the bill would make available for Tax Year 2004 the vehicle registration tax exemptions allowed for military personnel who either (a) are in the full-time military service, are absent from the state on military orders on the date of application for registration, and maintain their

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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>

vehicles outside Kansas; or (b) are members of the military service and are mobilized or deployed on the date of application for registration. Current law makes these exemptions applicable only for Tax Year 2005 and beyond. The bill also would provide for a refund process, through the county treasurer's office, for such taxes previously paid if application for the refund is made not later than one year from the act's effective date.

The bill is effective upon publication in the *Kansas Register*, and would require the Adjutant General to develop, implement, and adopt policies and procedures to administer the provisions of the bill.

## **Background**

During hearings, the Senate Committee on Ways and Means was informed that with the passage of federal law 2005 H.R. 1268 (effective September 1, 2005), the eligible members of the Kansas National Guard would be provided a maximum amount of \$400,000 in life insurance from the Federal Service members Group Life Insurance (SGLI). The life insurance premium costs would be paid by the member during the periods in which the member is not mobilized for active duty in a combat zone. Upon enactment, once the eligible member is mobilized and deployed to an active duty area in a combat zone (as defined by the Internal Revenue Service), the federal government would pay the premium for \$150,000 of the maximum amount of life insurance (\$400,000), and the eligible member would be required to continue premium payments on any additional amounts up to \$250,000 in life insurance at a cost of \$0.065 per \$1,000 per month (\$16.25 for \$250,000 of coverage).

Under the provisions of SB 1, the State would reimburse eligible members for the purchase of life insurance coverage up to the allowable limit of \$250,000 in lieu of providing a death benefit payment. Additionally, the proposed legislation would stipulate that an eligible member electing to opt out of carrying life insurance coverage in excess of the \$150,000 paid for by the federal government (during active duty mobilization) would not be reimbursed by the State. To finance the provisions of the bill, the National Guard Life Insurance Premium Reimbursement Fund would be established in Senate Bill 4 with an expenditure limitation of \$390,000. The provisions of SB 1 would take effect upon publication in the *Kansas Register*. Certain provisions of

Senate Substitute for HB 2518 would be repealed on September 1, 2005.

With respect to the motor vehicle registration tax exemption, legislation was adopted in 2004, then revised in 2005, the combined result of which was to offer the exemptions to military personnel for up to two vehicles, but only from and after Tax Year 2005. Due to an inadvertent change in the 2004 legislation and the ultimate effective date of January 1, 2004, several military personnel (either full-time and stationed out-of-state or reservists and mobilized or deployed) missed the exemption for Tax Year 2004.

The Senate Committee of the Whole amended the bill to: (1) transfer \$390,000 from the State General Fund to the National Guard life insurance premium reimbursement fund for Fiscal Year 2006; and (2) change the effective date of the vehicle registration tax exemption for certain military personnel from beginning with Tax Year 2005 to Tax Year 2004, and to provide for a refund process for those now eligible under the new effective date.