

SESSION OF 2022

SUPPLEMENTAL NOTE ON SENATE BILL NO. 335

As Recommended by Senate Committee on
Financial Institutions and Insurance

Brief*

SB 335 would exempt certain qualified trade, merchant, retail, and professional associations, and business leagues (business entities) in the state that provide health benefits through a self-funded health plan subject to the federal Employee Retirement Income Security Act of 1974 (ERISA), and not subject to the jurisdiction of the Kansas Insurance Department, from payment of the annual premium tax to the Kansas Insurance Department.

Current law requires each of these business entities, no later than May 1 of each year, to pay a tax to the Kansas Insurance Department at the rate of 1.0 percent per annum upon the annual Kansas gross premium collected during the preceding calendar year. For persons and entities with a principal office in a metropolitan area with boundaries in Kansas and associations with a principal office within the state that offer policies to non-residents of Kansas, the premium tax owed is based on the gross premium collected during the preceding year on health benefit plans issued to members having their principal place of business in Kansas. Such persons or entities are entitled to deduct any annual Kansas gross premiums returned due to cancellation, dividends returned to members, or expenditures used for the purchase of reinsurance or stop-loss coverage.

Background

The bill was introduced by the Senate Committee on Financial Institutions and Insurance at the request of the Kansas Bankers Association.

*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>

Senate Committee on Financial Institutions and Insurance

In the Senate Committee hearing, representatives of the Kansas Bankers Association and the Kansas Cooperative Council testified as **proponents** of the bill. The Kansas Bankers Association representative stated the elimination of the premium tax would help keep the cost of health insurance as low as possible for association health plans (AHPs) that are regulated by the U.S. Department of Labor and under the jurisdiction of ERISA. The Kansas Bankers Association representative stated non-AHP ERISA plans in Kansas are not subject to the premium tax. Both proponents stated no regulatory oversight or service is provided at the state level by the Kansas Insurance Department for the premium tax paid.

Written-only proponent testimony was submitted by a representative of the Agri-Business Benefit Group, Inc.

No other testimony was provided.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget, the Kansas Insurance Department estimates enactment of the bill would reduce State General Fund revenues in FY 2023 by \$1,028,104, which is the premium tax amount the agency estimates will be due by May 1, 2023, for tax year 2022 and transferred to the State General Fund. Any fiscal effect associated with the bill is not reflected in *The FY 2023 Governor's Budget Report*.

Self-funded health plans; Employee Retirement Income Security Act of 1974 plans; association health plans; annual premium tax exemption; Kansas Insurance Department