



Kansas Department of Insurance

Commissioner Vicki Schmidt

Proponent Testimony for SB 25

January 29, 2025

Chairwoman Tyson and Members of the Committee,

Thank you for the opportunity to testify in support of Senate Bill 25.

Senate Bill 25 was introduced by the Kansas Department of Insurance and amends K.S.A. 79-32,117 and K.S.A. 79-32,13. It creates new law concerning state income tax provisions through a new tax-advantaged Insurance Savings Account, specifically for property and casualty insurance premiums and deductibles.

Destructive weather events, massive inflation, the hardened reinsurance market, supply chain issues and others have raised the cost of property and casualty insurance. Insurance Savings Accounts will serve as a tool for Kansans and Kansas businesses to curb these costs while saving for large deductibles.

The bill mirrors the tax structure put in place with the First-Time Home Buyer Account Savings Account (2021 HB 2187) and the Adoption Savings Account (2023 HB 2465) legislation. One of the key differences between this legislation and the forementioned statutes is that this proposal includes a business component.

These new savings accounts can be opened at any financial institution in Kansas and contributions up to the maximum allowable contribution limit would be exempt from Kansas state income tax. There would **not** be a corresponding federal tax benefit. An account holder can contribute a maximum each year as follows:

Contribution Maximum Limit per Tax Year	
Individual	\$6,000
Married filing jointly	\$12,000
Corporate	\$25,000

Allowable expenses permitted from these savings accounts are limited to insurance premiums and deductibles for property and casualty insurance, including homeowners' and renters' insurance, auto insurance and workers compensation insurance. The intention is for this to apply to all taxpayers and any businesses regardless of how they are structured for tax purposes.

The Department is mindful of the cost associated with any tax proposal, which is why this proposal is specifically focused on property and casualty insurance expenses and tailored to the different types on taxpayers. The table below shows the maximum savings per tax year by

type of filer, along with the anticipated participation in the first year and the subsequent fiscal impact in fiscal year 2027.

Type of Filer	Statutory Cap per year	Calculated Tax Rate	Maximum Savings per Tax Year	Anticipated Participation TY 2026	Anticipated Cost FY 2027
Individual	\$6,000	5.58%	\$335	3,750	\$1,255,500
Married filing jointly	\$12,000	5.58%	\$670	3,750	\$2,511,000
Corporate	\$25,000	7.0 %	\$1,750	1,400	\$2,450,000
TOTAL					\$6,216,500

The Department would appreciate your thoughtful consideration of this proposal to help Kansans and Kansas businesses better manage the rising cost of insurance.

Vicki Schmidt
Commissioner of Insurance