

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 A.M. on March 12, 2008 in Room 136-N of the Capitol.

All members were present.

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department
Ken Wilke, Office of Revisor of Statutes
Bev Beam, Committee Secretary
Jill Shelley, Kansas Legislative Research Department
Cody Gorges, Kansas Legislative Research Department

Conferees appearing before the committee:

Representative Peck
Dave Corbin, Kansas Dept. Of Revenue
John Meetz, Kansas Insurance Dept.

Others attending:

See attached list.

In the absence of the Chair, Vice Chair, Wysong, called the meeting to order.

Hearing on:

HB 2675 - concerning licensing of insurance agents; pertaining to certain state's license revocation for nonpayment of income tax

Representative Peck testified in support of HB 2675. He said in 2006, the House passed HB 2771 dealing with the issue of non-resident insurance agents having to pay income taxes to Missouri. He said, however, that after it passed the House, he was asked to stand down to give Missouri time to remedy the problem. Therefore, he did not push it through the Senate, he said. He said effective for the tax year 2007, Missouri does not allow the property taxes paid in another state to be deducted when filing Missouri state income taxes. Rep. Peck said he asked the House Insurance and Financial Institutions committee to sponsor HB 2675 because Kansas insurance agents are paying income tax dollars to Missouri that belong to Kansas. He said this bill is a reciprocal bill that would only affect states, currently Missouri, which require insurance agents to pay income taxes to them. He said if states take money away from us, we're going to take money back from them. He said this bill has a positive fiscal note. (Attachment 1)

Dave Corbin, Kansas Department of Revenue, presented neutral testimony on HB 2675. Mr. Corbin stated this bill focuses solely on taxpayer compliance by non-resident licensed insurance agents. It requires the Secretary of Revenue and Insurance Commissioner to exchange information on non-resident licensed insurance agents, identify those with income tax delinquency, and mail notices to those non-resident agents with income tax delinquencies. He noted the bill would further authorize the Insurance Commissioner to deny, revoke or suspend the license of a non-resident agent with an income tax delinquency. He said authorizing the state to revoke or deny a professional license when the licensee has delinquent taxes can be a very effective tax compliance tool. He noted tax compliance would be enhanced if the proposal were expanded to encompass other types of professional licenses and applied to resident and non-resident licensees. He continued, stating that the bill appears to require a manual process between the Secretary of Revenue and Insurance Commissioner for notifying tax delinquent non resident licensees, which would be inefficient and costly. He said the Department of Revenue recommends that the bill provide for electronic notification of delinquency, and that one agency be responsible for the notification in order to streamline the process. (Attachment 2)

The Vice Chair closed the hearing on HB 2675.

CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on March 12, 2008 in Room 136-N of the Capitol.

Hearing on

HB 2686 - concerning insurance; requiring market conduct studies for certain insurance companies

John Meetz, Government Affairs Liaison, Kansas Insurance Department, testified in support of HB 2686. Mr. Meetz said currently under Kansas law, market regulation examinations are treated the same as financial examinations. He said financial exams must be performed on companies every five years, while market exams are conducted on a need basis. He said HB 2686 is an attempt to distinguish between the two exams. (Attachment 3)

There being no questions, the Vice Chair closed the hearing on HB 2686.

The meeting adjourned at 10:15 a.m.