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ROLL NUMBER

DESCRIPTION

1449

2001 HOUSE FINANCE AND TAXATION

HB 1449

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1449

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 30, 2001

Tape Number	Side A	Side B	Meter #
2	x		2,220
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

REP. AL CARLSON, CHAIRMAN. Opened the hearing.

REP. JIM KASPER, DIST. 46, Introduced the bill. This bill offers legislators to take a flexible benefit plan that the state of North Dakota offers for state employees, through North Dakota PERS. Rep. Kasper's company in Fargo was offered the privilege of installing that plan for the state of North Dakota in 1989. Submitted a handout relating to a flex savings plan. See attached copy. The flex plan will allow legislators, as it does all of our state employees, is to pretax those benefits. What makes this revenue neutral, is the state of North Dakota will also have FICA tax savings on the amount of dollars any legislator would choose to purchase. He suggested an amendment to the bill to have an effective date to 2002. If you do not want to participate, you can choose not to.

REP. HERBEL Is there any set amount that you can flex?

REP. KASPER Under the medical reimbursement part, there are a set amount of guidelines.

Under the premium column, you are able to pretax only premiums that are allowable under the payroll deduction, that are also qualified under Section 125 of the internal revenue code. Such as our dental insurance and supplemental life insurance, etc.

REP. KROEBER Would the department have enough help to take on another one hundred and fifty legislators without any additional staff?

REP. KASPER Yes, Mr. Collins testified there would be no additional fiscal note.

? **COLLINS**, did't get the first name, and didn't sign the register....Submitted an amendment which provided an effective date on the bill to January 1, 2002.

REP. CARLSON Asked what his thoughts were by including the legislators in this.

COLLINS Stated they will be able to do it, it is part of a regular effort to go to nine thousand state employees every year on programs. Not everyone will do it. The main thing now, is to make sure everyone has full understanding of the program. Such as the medical spending account, for example, if you want to put money into that account, it is either use it, or lose it. If you put in one thousand dollars for the year and you only use five hundred dollars, you don't get the other five hundred dollars back. Once you are in the plan, you can't change your election plan. We need to make sure everyone understands. A lot of this is controlled by federal law and IRS regulation.

REP. CARLSON If we decide to take dental insurance, which is not covered, I have to pay for it myself. Is that an example of, whatever the premium was for a month, would be deducted prior to tax?

COLLINS Yes, the other thing is, if you sign up and decide to put that premium away for the next year, or pay the premium as part of the flex plan, you can't drop that premium during the year.

REP. KROEBER Would the dates coincide with the end of terms?

COLLINS The plan year would end December 31. The one issue we will have to work through on the legislators, the state employees is taken out every month, I am not sure how we will work the legislators yet.

REP. WINRICH What happens to the money that is uncollectible by the participant, does the state retain that, does it go to the IRS or what?

COLLINS The state retains it, if you elect the medical spending account, you can put six thousand dollars in there, that is five hundred per month, if you put in five hundred the first month of the planned year, you can file a claim with us for the full six thousand. We have to pay it before we receive all of the money. If somebody leaves before making all of the payments, we can have some lawsuits in that account.

REP. WINRICH I participated in a fund at UND, at one time I seem to recall that there was an effort at the national level, to change the IRS code so that some of those overages could carry over into the next year, do you know anything about that?

COLLINS I haven't heard much recently about that. That has always been an issue. The IRS's concern on that, is that it is a loss of income on the national level. On the use it or lose plan, it forces us to be conservative.

REP. DROVDAL If I opt to go into this plan, I am tied to it for twelve months, toward the end of that twelve month period, I get the option to either increase or decrease my participation?

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COLLINS Once a year, you get the opportunity to make a change in your election. Once you are in it, during the year, under the IRS regulation, it is virtually impossible to make a change.

There are some ways it can be done, but it is virtually impossible.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 1-30-01, Tape #2, Side B, Meter 814

REP. KELSH Made a motion to adopt the amendment which provided an effective date.

REP. DROYDAL Second the motion. **MOTION CARRIED BY VOICE VOTE.**

REP. DROYDAL Made a motion for a **DO PASS AS AMENDED.**

REP. WINRICH Second the motion. **MOTION CARRIED.**

15 YES 0 NO 0 ABSENT

REP. SCHMIDT Was given the floor assignment.

FISCAL NOTE

Requested by Legislative Council

01/23/2001

Bill/Resolution No.: HB 1449

Amendment to:

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

No fiscal effect is anticipated.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Sparb Collins	Agency:	Public Employees Retirement System
Phone Number:	328-3901	Date Prepared:	01/25/2001

Date: 1-30-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1449

House FINANCE & TAXATION Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as Amended

Motion Made By Rep. Drovdal Seconded By Rep. Winrich

Representatives	Yes	No	Representatives	Yes	No
CARLSON, AL, CHAIRMAN	✓		NICHOLAS, EUGENE	✓	
DROVDAL, DAVID, V-CHAIR	✓		RENNER, DENNIS	✓	
BRANDENBURG, MICHAEL	✓		RENNERFELDT, EARL	✓	
CLARK, BYRON	✓		SCHMIDT, ARLO	✓	
GROSZ, MICHAEL	✓		WIKENHEISER, RAY	✓	
HERBEL, GIL	✓		WINRICH, LONNY	✓	
KELSH, SCOT	✓				
KROEBER, JOE	✓				
LLOYD, EDWARD	✓				

Total (Yes) 15 No 0

Absent 0

Floor Assignment Rep. Schmidt

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1449: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1449 was placed on the Sixth order on the calendar.

Page 1, line 2, after "program" Insert "; and to provide an effective date"

Page 1, after line 11, Insert:

"SECTION 2. EFFECTIVE DATE. This Act becomes effective on January 1, 2002."

Renumber accordingly

2001 SENATE FINANCE AND TAXATION

HB 1449

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1449

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date 3/5/01

Tape Number	Side A	Side B	Meter #
1	x		0-22.6
Committee Clerk Signature <i>Lynelle H. Kraft</i>			

Minutes:

Senator Urlacher: Opened the hearing on HB 1449, relating to participation by members of the legislative assembly in the pretax benefits program.

Representative Jim Kasper: Co-sponsored the bill, testified in support. Provided handout and explained it. Section 145 of the Internal Revenue Code allows employers to sponsor a flexible benefits plan. Benefits that are eligible are insurance premiums such as health insurance, group life insurance, supplemental insurance benefits. Under the flexible benefit plan, when you make your elections, you pretax those elections. The benefit of pretaxing is the employee does not pay FICA tax, Federal income tax, or state income tax on those elections that they made. The employer does not pay the matching FICA taxes on benefits that are elected. The bill enables legislation which allows legislators to participate in the flex plan if they so desire. It's voluntary, nobody is forced to use it. It's a win-win bill all around.

Senator Stenehjem: Are the examples of benefits on this handout all of them or is there more?

Representative Jim Kasper: Those are just a few examples.

Senator Stenehjem: I think this could affect the amount of money that you get in social security because you have put less in.

Representative Jim Kasper: That's a typical concern. During the enrollment, that is one of the things employees are told about-that there could be a small impact on your social security.

Senator Nichols: Is Medicare assessed against FICA?

Representative Jim Kasper: Medicare is not.

Sparb Collins: PERS, testified in support. From PERS standpoint, there's no fiscal effect to us in the addition of the legislators to the plan. The plan if enacted, the first enrollment would be in January. Accounts are use it or lose it election.

Senator Stenehjem: Can you spend in advance?

Sparb Collins: For the health account, you can. If you elect to pay so much during the year, that cost has to be incurred in that year.

Senator Stenehjem: What happens if I spend all the money in January, and resign from paying in June.

Sparb Collins: You will get a letter from us stating that you have spend the value of the account and asking you to reimburse use for the amount. At a certain point, some of those account balances do get written off by us. That's the risk we take.

Senator Stenehjem: Do you turn them over to a collection agency?

Sparb Collins: No, we send a letter, then there's a letter from the Attorney General's Office. There is limits on how aggressive we can be to collect. Overall, we don't incur a lot of losses.

Senator Stenehjem: How much is this being used by state employees?

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Hearing Date 3/5/01

Sparb Collins: 439 use dependent care-1.3 million in the account , 2,331 use medical spending-2.6 million in the account, 7,313 use premium conversion-1 million in the account. For a total of 4.9 million dollars that is utilized. This is a voluntary program, we do the best we can to let them know it's available.

Senator Urlacher: Closed the hearing.

Discussion followed.

Bill was explained to Senator Christmann, as he was absent from the hearing.

COMMITTEE ACTION:

Motion made by Senator Nichols for a DO PASS, Seconded by Senator Stenehjem. Vote was 6 yeas, 0 nays, 0 absent and not voting. Bill carrier was Senator Nichols.

Date: 3/5/01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1449

Senate Finance and Taxation Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS

Motion Made By Nichols Seconded By Stenehjem

Senators	Yes	No	Senators	Yes	No
Senator Urlacher-Chairman	✓				
Senator Wardner-Vice Chairman	✓				
Senator Christmann	✓				
Senator Stenehjem	✓				
Senator Kroepflin	✓				
Senator Nichols	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Nichols

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 5, 2001 11:33 a.m.

Module No: SR-37-4801
Carrier: Nichols
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1449, as engrossed: Finance and Taxation Committee (Sen. Urlacher, Chairman)
recommends DO PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed HB 1449 was placed on the Fourteenth order on the calendar.

2001 TESTIMONY

HB 1449

Saving Tax Money

on out-of-pocket medical expenses

... through your company's new cafeteria plan

Rep. Kasper

HTS 1449

It's your money ...

How much do you spend on medical and dental expenses every year? Sure, you may have a major medical plan that helps, but what about deductibles and copayments? AFLAC's FLEX ONE[®] program may help you save tax dollars on these expenses by establishing a flexible spending account (FSA) for you.

Savings Example

Per \$1,000 in salary

Employee Savings Example

\$ 1,000 Gross Income	\$ 1,000 Gross Income
- 250 Taxes	- 100 Insurance Premiums
750 Paycheck	- 50 Medical Expenses
- 100 Insurance Premiums	- 850 Adjusted Gross Income
- 50 Medical Expenses	- 213 Taxes
\$ 600 Net Spendable	\$ 637 Net Spendable/Paycheck

\$37 Tax Savings!

This example is for illustration only and assumes a combined tax rate (income, FICA, Medicare) of 25%. Your own personal tax situation may differ.

Without an FSA, you pay taxes on every dollar you earn — then you pay for medical expenses. With an FSA, you can set aside a portion of each paycheck for medical expenses. This amount is deducted from your paycheck before taxes are calculated, so the taxes you owe should decrease. In other words, you won't pay taxes on the money you spend on qualified out-of-pocket medical expenses!

Your benefits*...

The potential tax savings you gain on medical expenses may give you the choice between adding to your benefits package and receiving a higher paycheck.

Use the money in your FSA for expenses such as:

- Insurance copayments and deductibles
- Eye glasses, contact lenses and contact lens solution
- Drugs (legal, prescription only or insulin)
- Fees for physicians, gynecologists, obstetricians, pediatricians, surgeons, dentists, orthodontists and chiropractors

Your choice!

AFLAC's FLEX ONE[®] program gives you a choice:

- ◆ Potential tax savings
- ◆ More complete coverage

The Affordable Choice ✓

* Cafeteria plan elections are generally irrevocable for an entire plan year and reduce Social Security compensation. Prior to participation, carefully review your summary plan description, salary redirection agreement and summary of tax rules, and reimbursement procedures for additional terms and conditions.

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The Affordable Choice[®] ... from AFLAC

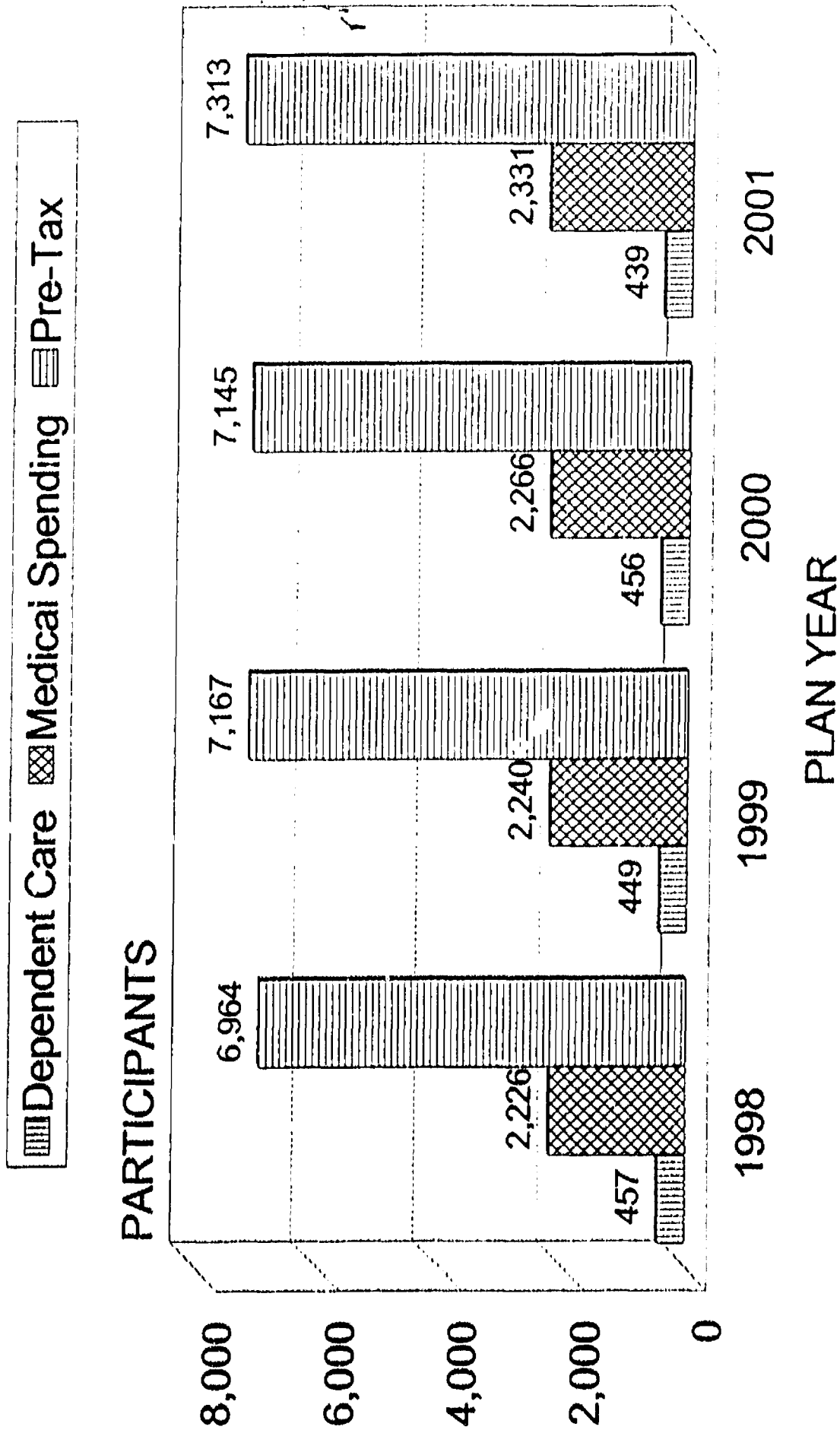


*Choose the
easy way to
save tax dollars
on health care
expenses.*

AFLAC[®]

*Insuring Over 40 Million
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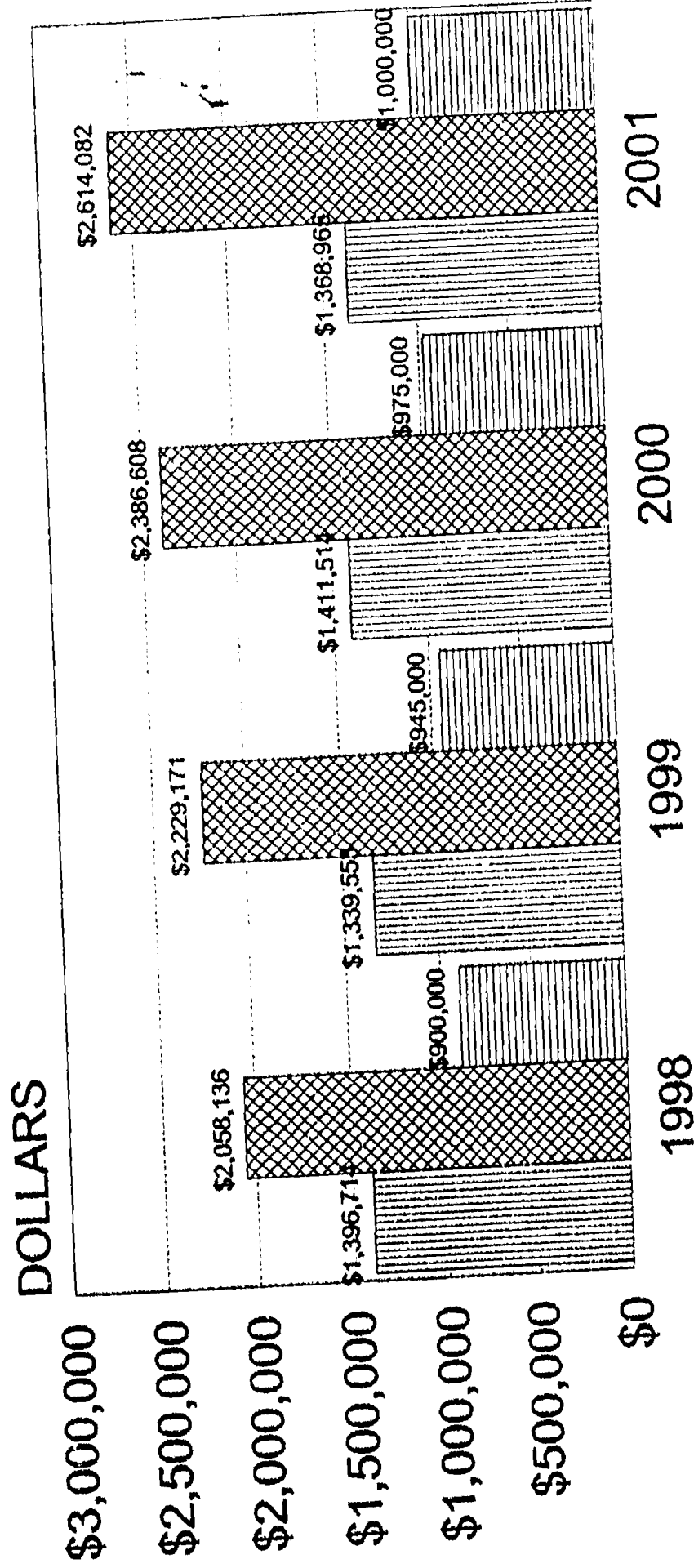
NDPERS FLEXCOMP PARTICIPATION



NUPPERS

FLEXCOMP PARTICIPATION

 Dependent Care
  Medical Spending
  Pre-Tax



TOTAL:

INDUPEKS FLEXCOMP PARTICIPATION

 Dependent Care
  Medical Spending
  Pre-Tax

