

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



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.*

<b>Name:</b>	Sparb Collins	<b>Agency:</b>	Public Employees Retirement System
<b>Phone Number:</b>	328-3901	<b>Date Prepared:</b>	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 (410)  
January 31, 2001 1:35 p.m.

Module No: HR-17-2007  
Carrier: Schmidt  
Insert LC: 10729.0101 Title: .0200

**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 W. 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 Stenejem: 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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Senate Finance and Taxation Committee  
Bill/Resolution Number 1449  
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 Kroeplin	✓				
Senator Nichols	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Nichols

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