



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

January 20, 2023

Overview

Week Two—a short week due to the Martin Luther King Jr. Holiday—got off to a somewhat slow start with mostly informational briefings and no floor work in either chamber. There will likely be no floor debate or action in either chamber until late next week at the earliest. There will be a few days before any committees have time to both hear and work bills to advance to the floor. As informational briefings give way to bill hearings, the pace over these next few weeks—and the race to get bills passed out of committee and their chamber of origin before the end of February—will be fast and furious.

Highlights from the Week

1. The Governor will give her State of the State Address on Tuesday, January 24th.
2. Many of the highly anticipated tax bills were introduced this week—from personal and corporate income tax cuts to social security and retirement income tax reductions, to the immediate elimination of the state sales tax on food, feminine hygiene products, and diapers.
3. Week Two bill introductions slowly pick up. Week Three will begin hearings and the volume of bill hearings rapidly increase.

Big Picture Issues

Tax Bills:

- Back to School Sales Tax Holiday.
 - Three different bills that would provide for a Back-to-School Sales Tax Holiday in August had hearings in Senate Tax this week. While mostly similar, the bills have a few slight differences, such as a two-day holiday versus a four-day holiday.
- Food Sales Tax
 - The Governor's plan to immediately eliminate the state sales tax on food, feminine hygiene products, and diapers—introduced late last week—now has a bill number, but no hearing scheduled yet. There should be hearings in the near future.
 - HB 57 & HB 2111.
- Personal, Corporate Income Tax Reductions

- The Kansas Chamber has introduced its “flat tax” bills in both chambers to reduce both the personal and corporate income tax rates. This plan would reduce the state’s tax brackets from three to one for individuals.
- The bill would set a 5% income tax rate for individuals with a \$15,000 exemption for single filers and \$30,000 for married couples.
- The bill would reduce the corporate income tax from 4% on net income and 3% on net income exceeding \$50,000 to a flat 5%.
- Also includes a privilege tax reduction for banks and savings and loans.
- The bill would eventually allow for a 0% income tax rate, based on the state’s ability to exceed revenue estimates.

What’s Next

- Governor’s State of the State Address is Tuesday, January 24th.
- January 30th: Last day for legislators to request bill drafts from the revisor.
- February 6th: Last day for non-exempt committees to request bills.
- February 8th: Last day for individuals to introduce bills in originating chamber.

Financial Institutions Related Issues

CBA Week Two Highlights

- CBA provides introductory remarks before the Senate FI&I Committee.
- Anti-ESG conversations gain momentum in multiple committees, from Financial Institutions to Federal and State Affairs.
- Kansas Chamber tax cut bills introduced, including privilege tax reduction.
- OSBC introduces its two bills for the 2023 Session.

Privilege Tax

- The Kansas Chamber introduced HB 2061 and SB 61.
 - Lowers the privilege tax for banks to 3.13% from 4.375% and the rate for savings and loans to 3.21% from 4.5%.
 - Provides an income tax rate of 5% for individuals and corporations.
 - Decreases the surtax for entities subject to the privilege tax.
 - Provides that future income tax rate decreases be contingent on exceeding revenue estimates.

ESG

- The draft ESG bill circulated to CBA last week has yet to be introduced, but there are concerns with the legislation as currently written.
- Conversations around ESG are quickly expanding beyond just the financial institutions committees. The topic this week came up in the Senate Federal and State Affairs Committee during a Kansas Independent Oil and Gas Association Briefing. There was some pushback to KIOGA’s assertion that ESG standards are causing capital and insurance markets to dry up.
- The Chairs of both Federal and State Affairs committees have indicated they will be hearing ESG bills.
- Additionally, AG Kris Kobach has joined a 21-state coalition challenging ESG practices of two proxy advisory companies: <https://ag.ks.gov/media-center/news-releases/2023/01/17/attorney-general-kris-kobach-joins-21-state-challenge-to-proxy-firms-esg-practices>

OSBC Bills

- OSBC introduced its two bills this week in Senate FI&I:
 - SB 44: Kansas Financial Institution Security Act, to clarify OSBC's ability to enforce Federal Trade Commission's Safeguards Rule, and that it applies to all non-bank entities (i.e., TEFFIs) under its jurisdiction.
 - SB 51: TEFFI Act Amendment to permit OSBC to collect FBI fingerprinting and background check requirements on TEFFI officers.

C-PACE

- There has been no C-PACE bill yet introduced, but the Nature Conservancy is still working on the issue. It seems the organization is still looking for solutions to address the priority lien issue, and there has been some discussion of a privilege tax credit for priority lenders who make C-PACE loans.

Upcoming Activities

The legislative schedule of hearings is updated regularly throughout the week can be found in the House and Senate calendars on the Legislature website at:

http://kslegislature.org/li/b2023_24/chamber/calendars/

Additionally, all hearings are now available online live and archived by the end of each day. You can find those hearings on the Legislative YouTube at:

https://www.youtube.com/channel/UC_0NO-Pb96CFABvxDwXAq8A

Monday, January 23.

House FI&P. 9:00 AM.

- Presentation on Joint Committee on Pensions, Investments, and Benefits Report.
- Presentation on Joint TEFFI Committee Report.

Wednesday, January 25.

House FI&P. 9:00 AM.

- Presentation on KPERS Funding, Investments, and Policy Part II.

Wrap Up

Let us know if you have any questions.

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