



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

February 13, 2023

Overview

Session is certainly in full swing, as committees rushed to hold hearings on bills last week and this week, before debating bills in both chambers for much of the week of February 20th. Week Five saw an exorbitant amount of bills introduced, though many of these will not advance after the midpoint, or “Turnaround,” on February 24th, the last day for most bills out of their chamber of origin. We apologize for the lengthy lists of bills that have been included in our reports, but after this week the list should not grow any longer since the deadline to introduce bills has passed. We will attempt to retain only those bills with a likelihood of advancing following Turnaround.

Highlights from the Week

1. The first of many major tax cut bills were passed out of committee this week and are on their way to the Senate floor. These include proposals to increase the standard deduction for income taxes, as well as exempting all social security benefits from Kansas income tax.
2. Committees have just one full week left to hear, amend, and advance bills to their respective chambers. Both chambers will spend February 22nd-23rd, and possibly February 24th, debating and passing bills to the other chamber for further action after Turnaround.
3. Despite the high volume of bills introduced this week, the vast majority will not advance, and we will trim our report to reflect that once we reach Turnaround.

Big Picture Issues

Tax Bills

- Food Sales Tax
 - The Governor’s plan to immediately eliminate the state sales tax on food, feminine hygiene products, and diapers was heard in House Tax, the first hearing on the topic this Session. Kansas Department of Revenue shared with the committee than an April 1st implementation date, should the legislature pass a bill expeditiously, would still be possible. It is unclear if the bill will pass out of committee any time soon.

- Social Security Income Tax Reductions.
 - Senate Tax Committee advanced a proposal to the full Senate that would fully eliminate state income tax on social security income.
- Personal, Corporate Income Tax Reductions
 - House Tax will hear HB 2061 on Tuesday and Wednesday this week, which would provide for a flat tax rate of 5% for individuals and corporations.

Other Policy Topics

- Education: The House K-12 Education Budget Committee has advanced to the full House a bill that would enact a universal education savings account program, allowing students to use their state aid (roughly \$5,100) to attend private school.
- Health: Medicaid Expansion bills, as well as a Senate Medical Marijuana bill, have all now been introduced. Additionally, both health committees will have their busiest week yet next week, with hearings on a variety of bills, including some controversial topics—from gender affirming care to transgender sports.

Financial Institutions Related Issues

CBA Week Five Highlights

- It was a relatively slow week for financial institutions-specific legislation. Committees held hearings on the TEFFI clean-up bills, as well as a clean-up bill for the First-Time Homebuyer Savings Account legislation that was passed in 2022.
- ESG legislation was introduced this week, HB 2404.
http://kslegislature.org/li/b2023_24/measure/documents/hb2404_00_0000.pdf
- A C-PACE bill was introduced in House FI&P this week, HB 2320.
- Next week will be busy, with the first hearings on the major tax cut bills scheduled in House Tax on Tuesday and Wednesday.

ESG

- HB 2404: Enacting the Kansas protection of pensions and businesses against ideological interference act, relating to ideological boycotts involving ESG standards; requiring KPERS to divest from and prohibiting state contracts or the deposit of state moneys with entities engaged in such boycotts as determined by the state treasurer and prohibiting discriminatory practices in the financial services industry based on such boycotts.
- In House Federal & State Affairs Committee.

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.
 - Hearing on HB 2061 in House Taxation Tuesday-Wednesday February 14th-15th.

Trusts

- HB 2144: Authorizing modification of a noncharitable irrevocable trust to provide that the rule against perpetuities is inapplicable, providing that the Kansas uniform statutory

rule against perpetuities is inapplicable to trusts under certain circumstances and modifying the definition of resident trust in the Kansas income tax act.

- Heard Wednesday, 2/1, in House Judiciary.
- Midwest Trust Company testified in support.
- Several questions and some confusion from committee members as to the rationale behind the legislation and some concern of unintended consequences.

OSBC Bills

- 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.
 - Both bills were heard this past week in Senate FI&I.

C-PACE

- HB 2320: Enacting C-PACE; requiring Kansas Department of Commerce to establish a C-PACE board, providing for assessment contracts between C-PACE lenders and property owners and establishing rights, duties and responsibilities of mortgage lenders.
- http://kslegislature.org/li/b2023_24/measures/documents/hb2320_00_0000.pdf

UCCC

- HB 2241: Increasing the amount charged per annum on closed end credit consumer loans.
- HB 2242: Providing restrictions, lender reporting and other requirements for alternative small installment loans made under the UCCC.

Consumer-Related Legislation

- HB 2243: Enacting the protect vulnerable adults from financial exploitation act.
- SB 104: Allowing a surcharge when purchases are made with a credit or debit card.
 - Heard in Senate FI&I 2/9.
- HB 2197: Providing a procedure for the distribution of a first-time home buyer savings account balance upon the death of an account holder, changing the term "transfer on death" to "payable on death" and resolving a conflict when beneficiaries differ on a financial institution's account records and tax forms required by the secretary of revenue.

TEFFI

- SB 199: Authorizing the state banking board to deny, suspend or revoke a charter of a fiduciary financial institution in certain circumstances, requiring fiduciary financial institutions to purchase a surety bond and establishing a civil money penalty for violations of the technology-enabled fiduciary financial institutions act
- SB 204: Replacing the definition of "charitable beneficiaries" with "qualified charities" in the technology-enabled fiduciary financial institutions act

Other

- HB 2247: Prohibiting banks from requiring a cosigner for an account of a child in the custody of the DCF Secretary.

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, February 13.

Tuesday, February 14.

Senate FI&I. 9:30 AM.

- Hearing on SB 204: TEFFI bill.

House Taxation. 3:30 PM.

- Hearing on HB 2061: [Testimony on Individual Income Tax Only]. 5% income tax rate for individuals and corporations; decreasing the surtax for entities subject to the privilege tax and providing that future income tax rate decreases be contingent on exceeding revenue estimates.

Wednesday, February 15.

Senate FI&I. 9:30 AM.

- Hearing on SB 62: Enact the protect vulnerable adults from financial exploitation act, requiring reporting of instances of suspected financial exploitation under certain circumstances and providing civil and administrative immunity to individuals who make such reports.

House FI. 9:30 AM.

- Final action on HB 2197: First-Time Homebuyer Savings Account clean-up.
- Hearing on HB 2195: Increasing the amount of retirant compensation subject to the statutory employer contribution rate to the first \$35,000 of compensation earned by a retirant in a calendar year and for a period commencing July 1, 2023, and ending December 31, 2024, requiring participating employers to pay only the statutory employer contribution rate on all compensation of a retirant employed in a covered position.

House Local Government. 9:00 AM.

- Final action on HB 2083: Creating the Kansas vacant property act to prohibit municipalities from imposing any fees or registration requirements on the basis that property is unoccupied.

House Taxation. 3:30 PM.

- Hearing Continuation on HB 2061: [Testimony on Corporate Income Tax Only]. 5% income tax rate for individuals and corporations; decreasing the surtax for entities subject to the privilege tax and providing that future income tax rate decreases be contingent on exceeding revenue estimates.

Thursday, February 16.

House Taxation. 3:30 PM.

- Final action on HB 2109: Increasing the income limit for the income tax subtraction modification for social security income.

Wrap Up

Let us know if you have any questions.

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