



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

February 20, 2023

Overview

Last week, committees worked diligently to hear, debate, and advance bills to their respective chambers for action this week. Monday and Tuesday, committees will wrap up their work before spending the rest of the week debating bills on the floor. Friday, February 24th, or “Turnaround Day,” represents the official midpoint of the Session. The Legislature will return after a long weekend on Wednesday, March 1st, to resume work and continue the race to First Adjournment on Thursday, April 6th. Most bills must pass out of their chamber of origin by next Friday.

Highlights from the Week

1. By early next week, the budget committees will have made their recommendations and the state budget bill will be assembled, ready for the long process of budget conference committee that will begin following Turnaround.
2. Bill introductions slowed for the most part, the deadline for doing so in most committees having passed last week. Exempt committees (Tax, Federal & State Affairs, budget committees) still allow introductions, but these have drastically slowed. Non-exempt bills that fail to advance next week will drop off our reports.

Big Picture Issues

Tax Bills

- Food Sales Tax
 - No movement on the Governor’s plan to immediately eliminate the state sales tax on food, feminine hygiene products, and diapers. The bill is in House Tax.
 - SB 248: Sales tax exemption only on “healthy foods” has a hearing in Senate Tax on Monday. SB 248 would also repeal the gradual reduction of the state sales tax on food that was passed last year.
- Social Security Income Tax Reductions.
 - Both chambers next week will debate proposals that would fully eliminate state income tax on social security income.
- Personal, Corporate Income Tax Reductions

- House Tax heard HB 2061 on Tuesday and Wednesday, which would provide for a flat tax rate of 5% for individuals and corporations. The proposal has drawn sharp criticism for its hefty fiscal note in the out years.

Other Policy Topics

- Education: The Senate has few education bills to debate next week, but it is expected the full House will debate the education savings account legislation.
- Health: No movement on Medicaid Expansion or medical marijuana; however, the House Health and Corrections committees had significant discussion this week on decriminalizing fentanyl testing strips, and the House advanced its legislation out of committee.

Financial Institutions Related Issues

CBA Week Six Highlights

- House Tax heard HB 2061, one of the major tax cut bills, which would also provide for a privilege tax reduction. Possible action next week.
- No movement on ESG legislation.
- Hearing on HB 2334—APEX trailer legislation—that may see some attempts to include privilege tax reductions for qualified projects, in addition to the corporate tax cuts for qualified projects that was included in initial APEX legislation last year.

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.
 - Heard in House Taxation Tuesday-Wednesday February 14th-15th.
 - CBA provided written proponent testimony.

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.
 - Passed out of House Judiciary.

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.

- Passed the Senate 33-5.
- 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.
 - Blessed and alive for remainder of Session.

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.
 - No movement. Likely dead for the Session.

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

- SB 62/HB 2243: Enacting the protect vulnerable adults from financial exploitation act.
 - SB 62 heard in Senate FI&I 2/15. Final action Tuesday 2/21.
- SB 104: Allowing a surcharge when purchases are made with a credit or debit card.
 - Heard in Senate FI&I 2/9. Final action Tuesday 2/21.
- 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.
 - Passed out of House FI&I.

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.
 - Passed out of Committee.

Other

- HB 2247: Prohibiting banks from requiring a cosigner for an account of a child in the custody of the DCF Secretary.
 - Blessed and alive for remainder of Session.
- HB 2334: APEX trailer bill.
 - Hearing in House Commerce Tuesday, 2/14. There are efforts to include a privilege tax reduction for qualified projects, corresponding to the corporate tax reductions for qualified projects that was included in last year's legislation.
 - Bill was blessed and alive for remainder of Session.

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 20.

House FI&P. 9:00 AM.

- Final action on bills.

Tuesday, February 21.

Senate FI&I. 9:30 AM.

- Final action on bills.

Wednesday-Thursday February 22nd-23rd.

House & Senate Floor Debate.

Friday, February 24th.

Turnaround Day.

Wrap Up

Let us know if you have any questions.

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