



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

February 24, 2023

Overview

This week, both chambers debated over 100 bills over two long days. Bills that did not advance have been removed from our report, in an attempt to present only those bills that have a chance of advancing during the second half of 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.

There will not be a full report next Friday, and only an email update regarding the legislative schedule for the week of March 6-10. Very few legislative committees will meet next week and there will be no active full House and Senate work done during the mid-session break. We appreciate your understanding.

Highlights from the Week

1. The major tax bills are making their way through the process. A bill establishing a flat income tax rate of 4.75% passed the Senate, as well as a bill to exempt all social security and retirement income from Kansas income tax. Additionally, the Senate passed SB 248, which would exempt both state and local sales tax on food and food ingredients beginning January 1, 2024.
2. Property tax bills are also beginning to move, with SB 252 advancing out of Senate Tax Committee. This bill addresses perceived “government competition” between government-operated and private business. Additionally, the Senate Tax committee advanced SB 97, which would increase the extent of property tax exemption for residential property from the statewide school levy from the current \$40,000 to \$65,000.
3. The fate of all these bills long term is in question.

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.
 - The Senate instead passed SB 248, which accelerates the reduction of the sales tax on food to January 1, 2024, as opposed to January 1, 2025. Initially, the bill was a sales tax reduction just for certain “healthy foods,” but the full Senate amended the bill to expand it to all food and food ingredients. It also applies to both the state and local sales tax on food.

- Social Security Income Tax Reductions.
 - The Senate passed SB 33, which would exempt all social security and retirement benefits from Kansas income tax. The House will likely pass its own version, and the issue will most likely be resolved in conference committee later in Session.
- Personal, Corporate Income Tax Reductions
 - HB 2061 is still in House Tax Committee, 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. Again, this is an issue likely to be resolved later in Session during conference committee.

Other Policy Topics

- Education: Debate on many of the significant education bills, including the education savings account legislation, was delayed until after Turnaround, though the Senate did pass a bill expanding the tax credit for low-income students scholarship program.
- Health: No movement on Medicaid Expansion.
- Marijuana: No movement on medical marijuana, but the House Corrections & Juvenile Justice Committee will hold an informational hearing on the topic of decriminalizing marijuana this week. Senate Federal & State Affairs Committee will also hold a two-day informational hearing on “Multi-State Impact Data on the Legalization of Marijuana.” So, the issue is slowly coming to life for the second half of Session.
- Finally, it is probably emblematic of this new Legislature figuring out what they can pass, when judged against what might be vetoed, that two bills expected to advance easily were defeated. This week the Senate Tax Committee defeated a bill providing a tax credit for parents of students in non-public or home-schools. The full Senate on Thursday defeated SB 210 that would have allowed candidates in local non-partisan elections to declare a partisan political affiliation and be identified as such on the ballot. Both bills were expected to pass, and their failure suggests some uncertainty may exist on a variety of issues.

Financial Institutions Related Issues

CBA Turnaround Highlights

- HB 2061, one of the major tax cut bills that would also provide for a privilege tax reduction, remains in House Tax committee for action after Turnaround.
- No movement on ESG legislation but expect hearings after Turnaround.
- HB 2334—APEX trailer legislation—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.
 - Blessed and alive for remainder of Session.

ESG

- SB 224/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 Federal & State Affairs Committees.

Privilege Tax

- 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.
 - Blessed and alive for remainder of Session.
- HB 2172: Enacting the Uniform Trust Decanting Act.
 - Passed the House 122-0.

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.

Consumer-Related Legislation

- SB 62/HB 2243: Enacting the protect vulnerable adults from financial exploitation act.
 - SB 62 blessed and alive for remainder of Session. Committee had several questions when they worked the bill, so they blessed it to have more time to work on it later in Session.
- SB 104/HB 2133: Allowing a surcharge when purchases are made with a credit or debit card.
 - SB 104 passed out of Senate FI&I. Blessed and alive for remainder of Session.
 - HB 2133 passed the House 87-35.
- 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 the House 121-1.

TEFFI

- SB 204: Replacing the definition of "charitable beneficiaries" with "qualified charities" in the technology-enabled fiduciary financial institutions act.
 - Passed out of Committee. Blessed and alive for remainder of Session.

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.
 - Heard 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-Tuesday, February 27th-28th.

No Session.

Wednesday, March 1st.

Thursday, March 2nd.

Wrap Up

Let us know if you have any questions.

Shawn P. Mitchell, President
Community Bankers Association of KS
5897 SW 29th Street
Topeka, KS 66614
785-271-1404 Office
shawn@cbak.com
www.cbak.com

Stuart J. Little, Ph.D.
Little Government Relations, LLC
800 SW Jackson, Ste. 1100
Topeka, Kansas 66612
785-235-8187 Office
785-845-7265 Cell
stuartjlittle@mac.com
www.lgrkansas.com

Mallory Lutz
Little Government Relations, LLC
800 SW Jackson, Ste. 1100
Topeka, Kansas 66612
785-235-8187 Office
785-409-8351 Cell