



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

March 31, 2023

Overview

The Legislature officially adjourned for the week on Wednesday evening, following three long days of debate in both chambers and will return Monday. All significant issues remain unresolved and conference committees will work overtime to wrap up their work sometime on Thursday, April 6th. To the surprise of many, the customary conference committees did not meet in advance of last week. This means that conference committees will work with less time (and later) to come to agreements for both chambers' approval.

As a reminder, at this point in the Session in particular, the conference committee process is often difficult to follow, confusing, and seemingly non-transparent to the public. Oftentimes, bills and issues are bundled together that have not previously been widely discussed. That is simply part of the process and procedures of how things work. As always, we will do our best to keep you informed in a timely manner and attempt to translate a chaotic process into the information you need. Additionally, the conference committee process is different than that of a regular bill, in that when both chambers debate a negotiated Conference Committee Report, or "CCR," no amendments are allowed. When chambers vote on CCRs, they simply vote yes or no and the CCR cannot be further amended than what was negotiated in the conference committee.

All of the major issues—education policy and budget, the state budget, health issues from vaccinations to gender issues to changes in childcare regulations, and all tax policies—will be negotiated next week in conference committees in just four days. We expect, to get all this work done, the Legislature will likely work well into the early hours of Friday morning, April 7th.

Highlights from the Week

1. The House passed its budget and its major tax bill this week. The comprehensive income, food sales tax, and property tax bill (more details below) passed the House 94-30.
2. Notably, the Senate failed to pass SB 309, the Senate President's bill creating a fund for municipalities to recoup funds should the Legislature choose to exempt both the state and local sales tax on groceries. This is yet another indication that much of the Legislature does not want to exempt the local sales tax on food. Additionally, the House's tax bill accelerates the exemption of the state sales tax on food to July 1, 2023, as opposed to the gradual reduction to zero by January 1, 2025, as passed by the Legislature last year.

Big Picture Issues

Tax Policy

- Both chambers passed several significant tax bills this week, most notably the House passing its comprehensive tax bill estimated to cost the state \$1.4 billion over the next three years. At a high level, the bill contains the following income, sales, and property tax provisions:
 - Increases the standard deduction for single filers from \$3,500 to \$4,000.
 - Indexes the standard deduction amount to inflation.
 - Removes the social security cliff and creates a gradual phase-in up to \$100,000.
 - Eliminates the three different tax brackets and instead creates a flat rate of 5.25%.
 - Increases the statewide 20 mills residential property tax exemption from \$40,000 to \$80,000.
 - Accelerates the elimination of the state sales tax on food to July 1, 2023.

Other Policy Topics

- The education conference committee began meeting this week and will continue its work next week on Sub for SB 83, the school voucher legislation.
- The Senate this week passed two vaccination bills, one that would prohibit KDHE from requiring COVID-19 vaccinations for children, as well as a bill that would expand exemptions for vaccinations, as well as repeals the meningitis vaccine requirement for student housing.
- The House passed its budget after several hours of debate, and amended the bill with the following:
 - Funding of LAVTRF begins in 2025.
 - Additional transparency measures for state agencies for state or federal grant dollars awarded by state agencies.
 - Prohibiting state agencies from increasing FTEs in FY 2024.
 - The budget conference committee begins meeting Monday.

Financial Institutions Related Issues

Weekly Highlights

- The House advanced its major tax bill, Sub SB 169 (formerly HB 2457), that includes several major income, sales, and property tax provisions, as well as a privilege tax rate reduction. More details below.
- The Senate this week also passed its proposal to reduce the privilege tax, SB 300.
- ESG proposals continue to make their way through the process, with SB 291 passing the Senate, and ultimately, the issue will be negotiated in conference.

Most financial institutions' issues remain unresolved and will be negotiated in conference committees next week. Those issues include:

- ESG.
- Privilege tax rate reduction.
- All other tax issues including the various income tax proposals (increase in standard deduction, removing the social security cliff, flat tax rate, etc.).

ESG

- Both bills are now similar since the Senate committee removed Section 5 of SB 291.
- Latest summary of SB 291 as amended by the Senate:
http://kslegislature.org/li/b2023_24/measures/documents/supp_note_sb291_03_0000.pdf

- Senate passed SB 291 on a vote of 29-11 with one amendment to restrict any Kansas investments in any foreign adversary governments or non-governmental entities and provide for an 18-month window to withdraw any of those investments. Also gives the Attorney General authority to adopt rules and regulations to add or remove a government or non-governmental entity from the definition of “foreign adversary.”
- HB 2436 passed the House 85-38. The House committee amended the bill so that municipalities cannot discriminate or give preferential treatment *solely* based on ESG criteria.
- Awaits action in Federal & State Affairs/Financial Institutions Conference.

Privilege Tax

- SB 300. Decreasing the privilege tax rates on banks, trust companies and savings and loan associations by reducing the normal tax rates.
 - CBA issued proponent testimony.
 - Reduces the rate for banks from 2.25% to 1.94% for tax year 2024 and to 1.63% for tax year 2025 and all years thereafter.
 - For trust companies and savings and loans, reduces the tax rate from 2.25% to 1.93% for tax year 2024 and to 1.61% for tax year 2025 and all years thereafter.
 - The bill does not impact surtaxes.
 - SB 300 passed the Senate 34-6, without amendment.
 - http://kslegislature.org/li/b2023_24/measures/documents/supp_note_sb300_00_0000.pdf
- Sub SB 169 (formerly HB 2457): Comprehensive income, property, and food sales tax bill that also includes a privilege tax rate reduction.
 - Beginning in tax year 2024, reduces the tax rates applied to corporations and financial institutions.
 - For banks, the normal tax rate would be reduced from 2.25% to 1.625%. For trust companies and savings and loans, the normal tax rate would be reduced from 2.25% to 1.61% for tax year 2025 and all years thereafter.
 - The surtaxes on corporations and financial institutions are not affected by the bill.

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 the House 123-0.
 - Contents of HB 2144 included in HB 2172—uniform trust decanting act.
- HB 2172: Enacting the Uniform Trust Decanting Act.
 - Passed the House 122-0.
 - Includes contents of HB 2144.
 - Passed the Senate 36-4.
 - Awaits conference committee resolution.

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 and House 114-9.

- Awaits action in conference.

Consumer-Related Legislation

- HB 2133: Allowing a surcharge when purchases are made with a credit or debit card.
 - HB 2133 passed the House 87-35 and having passed one chamber it is eligible for conference committee.
- 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 and the Senate 36-1. Awaits the Governor's approval.

Other

- HB 2247: Prohibiting banks from requiring a cosigner for an account of a child in the custody of the DCF Secretary. (Foster youth checking and savings account).
 - Bill summary:
http://kslegislature.org/li/b2023_24/measures/documents/supp_note_hb2247_010000.pdf
 - Passed the House 114-7. Having passed one chamber, eligible for conference.

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, April 3rd-Thursday, April 6th.

Conference Committees & Chambers approve CCRs.

Wrap Up

Let us know if you have any questions.

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