



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

April 10, 2023

Overview

The Legislature officially adjourned around 4:30 AM on Friday, April 7th, and will return on Wednesday, April 26th, for the wrap up session. It was a long week of conference committees meeting well into the evenings to conclude negotiations and both chambers sending bills to the Governor. While the Legislature accomplished a relatively large volume of work in just a few days, much remains unresolved, which may last slightly longer than previously anticipated, given how things wrapped up this week.

This report details, to the best of our ability given the whirlwind of legislative activity, the major issues resolved before the Legislature's adjournment. We may provide an update, including any clarifications and revisions for accuracy, once we are able to analyze more comprehensively everything that happened in the waning hours before First Adjournment.

Highlights from the Week

1. Both chambers worked into the early morning on Friday to pass the first of three main tax bills, Sub SB 169. It includes several incomes tax provisions, as well as a few property and sales tax provisions, notably an acceleration of the elimination of the state sales tax on food by January 1, 2024. Additionally, the bill establishes a single tax rate of 5.15%, which has some questioning a gubernatorial veto; however, the bill passed with a strong majority in the House (85-38) and 24-13 in the Senate.
2. While the House passed Sub SB 83, the school voucher bill, the Senate surprisingly failed to do so on a vote of 17-20 early Friday morning. Thus, both education policy as well as the state's education budget will be resolved during Veto Session.
3. Also of note, the Senate failed to pass a bill that would have both curtailed the ability of KDHE and local health officials to respond to contagious disease outbreaks, as well as expand exemptions for vaccinations. The measure failed in the Senate 19-18. Should the Senate choose to reconsider and pass the bill during Veto Session, it is unlikely it will pass the House, but if it does, it certainly does not survive a gubernatorial veto.
4. Both chambers voted to override the Governor's veto of HB 2238, the transgender sports bill.

Items Remaining for Veto Session

There are several items still alive for wrap up-session, including the following:

- Two significant tax bills that include mostly property tax provisions, SB 8, and HB 2002. Both have passed one chamber.
- A handful of health bills, including possible reconsideration of the anti-public health and vaccination bills, as well as continued efforts to decriminalize fentanyl testing strips.
- Renewed attempts at passage of the school voucher bill, Sub SB 83, and the education budget, Sub SB 113.
- Revisions to the budget, including Governor's Budget Amendments, as well as any changes following the latest economic outlook projections from the state's fiscal analysts.

Financial Institutions Related Issues

Weekly Highlights

- Both chambers passed one of three major tax bills up for consideration at the end of the regular session. Sub SB 169 includes several major income, sales, and property tax provisions, as well as the privilege tax rate reductions as outlined in SB 300.
- Both chambers passed ESG legislation in HB 2100, though the measure initially failed in the Senate, but ultimately advanced several hours later after a motion to reconsider.

ESG

- CCR on HB 2201. Essentially the language of HB 2436/SB 291 as amended by the Senate Committee. The conference committee removed the word "solely" from the section concerning municipalities, providing that they cannot discriminate or give preferential treatment *solely* based on ESG criteria.
- In conference, the House did not agree to the Senate floor amendment that would have required KPERs divest from any foreign adversaries. It is likely the Joint Committee on Pensions, Investments, and Benefits will further study the topic in the interim.
- Initially the CCR failed to pass the Senate 18-20, but several hours later the Senate reconsidered the bill and passed it 27-12. It then passed the House 76-47.

Privilege Tax

- SB 300. Decreasing the privilege tax rates on banks, trust companies and savings and loan associations by reducing the normal tax rates.
 - Provisions included in Sub SB 169, the tax bill approved and headed to the Governor.
 - CBA issued proponent testimony on SB 300.
 - 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.
- Sub SB 169
 - Passed the House 85-38 and Senate 24-13.
 - Conference Committee Report (CCR) Brief: http://kslegislature.org/li/b2023_24/measures/documents/ccrb_sb169_02_04058p_m.pdf
 - Increases residential exemption from \$40,000 to \$60,000.

- Accelerates the state sales tax on food to 0% on January 1, 2024. (Local portion is not impacted).
- Increases the standard deduction pursuant to the federal COLA index beginning tax year 2024.
- Corporate and privilege tax rate reductions.
- 5.15% single rate tax bracket.
- Social security income cliff smoothed from \$75,000 to \$100,000 with the upper bound to increase by \$5,000 annually.

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 123-0.
 - Includes contents of HB 2144.
 - Passed the Senate 36-4.
 - Awaits the Governor’s approval.

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 36-4 and House 114-9.
 - Awaits the Governor’s approval.

Consumer-Related Legislation

- 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. Approved by Governor 3/31/23.

Other

- OSBC vs. TEFFI.
 - There was an interesting development during the last rounds of budget negotiations, when the Senate deleted OSBC’s budget to review at Omnibus. Seemingly, this was in response to a disagreement between OSBC and TEFFI and OSBC’s refusal to acknowledge TEFFIs as chartered trusts.
 - To expedite a response from OSBC, Senate Financial Institutions held a last-minute meeting this week to hear and advance SB 204, which would clarify that TEFFIs are chartered trusts.
 - It seems the issue between OSBC and Beneficial has since been resolved, and restoration of OSBC’s budget will take place at Omnibus. It also appears the need for SB 204 has also subsided.

- Housing
 - SB 17 (Formerly SB 34 and SB 37): Expands use and availability of RHIDs and expands the transferability of income, privilege, and premium tax credits issued under the Kansas housing investor tax credit act.
 - CCR brief: http://kslegislature.org/li/b2023_24/measures/documents/ccrb_sb17_01_000.pdf
 - Passed the House 63-59 and the Senate 31-9.

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 24th.

Joint Budget Committee Meeting. 9:00 AM.

- Update on Consensus Revenue Estimates (CRE); Consensus Caseload Estimates; and Governor's Budget Amendments.
- Discussion and possible action on Omnibus bill and Governor's Budget Amendments.

Tuesday, April 25th.

Joint Budget Committee Meeting. 9:00 AM.

- Discussion and possible action on Omnibus bill and Governor's Budget Amendments.

Wednesday, April 26th.

Veto Session begins.

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