



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

May 1, 2023

Overview

The Legislature reconvened for the Veto Session on Wednesday, April 26th, after a two-week break following First Adjournment. As of Thursday evening, April 27th, several issues remain unresolved, which are further detailed below. It is likely the Legislature will work late Friday to wrap up their work and go home sometime late Friday or this weekend.

Highlights from the Week

1. The Kansas Senate on Wednesday, to much surprise, failed to override the Governor's veto on the major tax bill, Sub SB 169. This bill would establish a flat tax, as well as eliminate the state sales tax on food, and also includes several other tax relief provisions. On Thursday, the Senate reconsidered the motion to override for a second time, and it failed again on a vote of 25-14.
2. Both the education policy and education budget bills have yet to pass both chambers. As it stands currently, SB 113 includes the K-12 budget and special education funding, and some bad policy. HB 2089 includes the universal school voucher bill.
3. While both chambers overrode several of the Governor's vetoes, there were a handful that were sustained, including the Governor's veto of legislation that would have made significant changes to childcare licensing and regulations, her veto of the bill that would have eliminated the three-day grace period to return advance ballots, as well as her veto of the Eddie Eagle firearm safety curriculum. A full list of veto overrides and attempts is attached at the end of our report.

Items Remaining for Friday/Weekend

- There are several items still alive for Veto Session, including the following:
- Possible action on anti-public health and vaccination legislation, including a bill prohibiting mandates of COVID vaccines for children, as well as provisions to curtail public health response to contagious disease outbreaks. It is unclear if the legislation will advance.
 - Renewed attempts at passage of the school voucher bill and the education budget.
 - Revisions to the budget, including Governor's Budget Amendments, in the Omnibus Budget Bill. The Budget Conference Committee is meeting well into the evening on Thursday to negotiate differences.

Financial Institutions Related Issues

Weekly Highlights

- Notably, the Senate failed at two efforts to override the Governor’s veto on Sub SB 169—the major tax bill which would have also included the as well as the privilege tax rate reductions. The override failed for the second time on a 25-14 vote. Senator Olson, who flipped votes and voted no on Thursday, was subsequently stripped of his chairmanship of Senate Utilities.
- The Governor allowed HB 2100—prohibiting ESG criteria in state investments—to become law without her signature.

ESG

- Became law without Governor’s signature on 4/25.
- CCR on HB 2100. 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.
- CCR Brief:
http://kslegislature.org/li/b2023_24/measures/documents/ccrb_hb2100_02_040523.pdf

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, which has since been vetoed.
 - 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
 - Vetoed by Governor. Two failed override attempts in Senate.
 - Passed the House 85-38 and Senate 24-13 prior to First Adjournment.
 - Conference Committee Report (CCR) Brief:
http://kslegislature.org/li/b2023_24/measures/documents/ccrb_sb169_02_04058pm.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.
 - Signed by the Governor 4/19.
- HB 2172: Enacting the Uniform Trust Decanting Act.
 - Passed the House 123-0.
 - Includes contents of HB 2144.
 - Passed the Senate 36-4.
 - Signed by the Governor 4/19.

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.
 - Signed by the Governor on 4/20.

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 prior to First Adjournment, 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.
 - The issue between OSBC and Beneficient has since been resolved, and OSBC's budget has since been restored.
- 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.
 - Signed by the Governor on 4/20.

Upcoming Activities

The legislative schedule of hearings is updated regularly throughout the week and 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

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