



## **Community Bankers Association of Kansas**

### **Kansas Legislative and Policy Report**

**March 31, 2025**

#### **Overview**

The Legislature adjourned late Thursday night and will not return until April 10<sup>th</sup> for a short, three-day veto session. They have also set the terminal date of the session for Saturday the 12<sup>th</sup>, and any legislative work after the 12<sup>th</sup> would have to be in a special session. Before adjourning, the Legislature passed the budget and a modest property tax relief bill but failed to pass the constitutional amendment capping property appraisals at 4% annually. Despite spending several hours in negotiations in the Tax Conference Committee, neither chamber had much enthusiasm for the proposal, with the Senate initially defeating it 26-14 on Wednesday, and only after reconsidering the motion on Thursday did it garner the 27 votes needed for a two-thirds majority to place the measure on a ballot. However, the House handily defeated the amendment, falling far below even a simple majority vote (37-88).

As the Legislature prepared to adjourn Thursday evening, it felt somewhat reminiscent of 2024, when lawmakers could not reach an agreement on tax relief and ultimately ended up going home with no relief package to send to the Governor. We will wait and see what might be in store during the Veto Session in the way of property tax relief, but within only three days, lawmakers will have to work quickly to come to an agreement.

#### **Highlights of the Week**

1. The budget is on its way to the Governor after passing the House 89-36 and the Senate 24-16. There are a handful of items we anticipate the Governor will line-item veto, from a 1.5% across the board cut for certain state agencies (several are exempt) to a proviso eliminating continuous Medicaid eligibility for the parent/caregiver population, a seemingly unworkable proposal posing innumerable difficulties for KDHE to implement.
2. Following the defeat of the constitutional amendment on property taxes, the Senate did not take up debate on a second property tax relief proposal. Instead of constitutionally capping increased property valuations, CCR on HB 2125 attempts to limit local government ability to increase property taxes. The prospects for passage fell even further once the House defeated HCR 5011. CCR on HB 2125 would limit property tax increases to account for the Midwest CPIU, voter-approved bonding, and new construction, or 4%, whichever is less. Following several rounds of negotiations, the committee eliminated the protest petition process and instead added a special election when a taxing jurisdiction intends to exceed the amount of allowable growth. There was widespread confusion among local government entities about the timeline and process would work within the

revenue neutral rate framework and deadlines. It is unclear whether either chamber will want to bring this proposal up during the veto session, or if the Tax Conference Committee may start over with a new plan.

3. In the absence of substantial property tax relief, both chambers did manage to pass [SB 35](#), which eliminates the 1.5 and .5 statewide mill levies for the state education and institution building funds. These property taxes are used only by the State. This amounts to anywhere from around \$25 to \$75 in property tax relief depending on home value. For example, a homeowner of a \$150,000 house will save about \$25 with this proposal. The Senate passed it unanimously and the House 96-26, and it now awaits the Governor's approval.
4. On the income tax front, there is a proposal headed to the Governor that would ultimately provide for a single income tax rate. [CCR on SB 269](#) would provide for income (and corporate and privilege) tax reductions when the State's "Rainy Day" Fund balance exceeds the prior year's balance adjusted for inflation. The Kansas Chamber advocated for the bill this Session. It passed the Senate 30-10 and the House 84-38.
5. Following the Governor's veto of SB 4, which eliminates the three-day grace period for advance voting ballots, both chambers overrode the Governor's veto, the Senate 30-10, and the House narrowly, 84-41.

### What's Next

The Legislature returns for Veto Session on April 10<sup>th</sup>. In addition to considering and attempting overrides on gubernatorial vetoes, the Legislature will have three days to deliberate on any other outstanding issues, including tax relief. Other than tax policy, we believe most other policy issues are, for the most part, probably resolved. We will be back in touch with a brief pre-Veto Session report prior to April 10<sup>th</sup>.

### CBA Topics

- The public funds bill, [HB 2152](#), awaits the Governor's approval.
- [SB 39](#)—Establishing the Kansas legal tender act did not advance in conference committee.
- CCR on SB 269: Providing that future personal, privilege, and corporate income tax rate decreases be contingent on exceeding tax receipt revenues.
  - Passed with veto-proof majorities and awaits Governor's response.

### Other Legislation of Interest

Information about all bills is available [here](#)

#### OSBC bill

- [CCR on SB 139](#): Banks and trust companies; relating to the state banking code; updating certain definitions, terms and conditions therein; specifying that certain hearings be held in accordance with the Kansas administrative procedure act; updating certain internal references; requiring immediate notification of changes in board members; specifying that the charter of certain banks be deemed void on the effective date of a merger; establishing conditions under which it would be lawful to engage in banking without first obtaining authority from the commissioner.
  - Awaits the Governor's approval.

## Other

- [HB 2336](#): Providing for the apportionment of business income by the single sales factor and the apportionment of financial institution income by the receipts factor, deductions from income when using the single sales factor and receipts factor, the decrease in corporate income tax rates determining when sales other than tangible personal property are made in the state and excluding sales of a unitary business group of electric and natural gas public utilities.
  - Now included in CCR on HB 2231. Includes HB 2336, and a couple of property tax exemption-related policies. CCR was not made available before adjournment, and it did not run in either chamber before adjournment.
  - Alive for possible action during Veto Session.
- HB 2378: Establishing the removal of squatters act, providing a procedure to remove a squatter from a dwelling unit, requiring owners or agents of dwelling units to provide an affidavit to the county sheriff, requiring notice to vacate by the sheriff, establishing the crime of providing a false affidavit and establishing a civil cause of action for wrongful removal of a person from a dwelling unit, allowing attorney fees and punitive damages.
  - No further action this week. Likely dead this Session but alive for 2026.

## Housing

- [HB 2119](#): Abolishing the affordable housing tax credit.
  - Passed the House.
  - Passed out of Senate Commerce with an amendment to allow for the 9% credit but eliminates the 4% tax credits. (Reduces the fiscal note from \$25 million to \$8.8 million per year).
  - House counter: Limit current year credits to \$20 million; this year would be the last year to leave the program un-capped. For next four years, would not add any new funding to the program. After that, in fiscal years 2030 and 2031, \$25 million investment will resume by offering \$2.5 million annually for ten years, or the other option is \$5 million for five years. Sunsets after 2031 funding. Additionally, the House proposed funding the moderate-income housing program at \$3.4 million annually and the Kansas Housing Investor Tax Credit at \$1.6 million for five years. Funding for all programs is subject to appropriations.
  - Conference Committee did not arrive at agreement, and negotiations will likely resume during Veto Session.
- HB 2096: Providing transferability of Kansas housing investor tax credits from the year that the credit was originally issued.
  - Passed the House this week 111-6.
  - No discussion in conference but alive for next session.
- [HB 2099](#): Permitting periodic inspections by a city or county for code violations of private residential rental housing where the property owner is receiving governmental rental subsidies.
  - Included in [CCR on HB 2116](#), which awaits the Governor's approval.

## **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's [website](#).

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](#).

*April 10<sup>th</sup>-12<sup>th</sup>.*

Veto Session.

## **Wrap Up**

Let me know if you have any questions.

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