



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

Pre-Veto Session Report

April 25, 2024

Overview

The Legislature returns Today (Thursday) for a six-day Veto or wrap-up session. Because the Legislature has already set Sine die (the non-negotiable, official end of the Session) for Tuesday, April 30th, they cannot work past that date. The budget committees will likely be the only activity on Thursday and the full Legislature returns Friday.

With the Governor's veto of the bipartisan tax relief bill late in the day on April 24th, the Veto Session may be somewhat more chaotic than previously anticipated. On Wednesday afternoon, the Governor vetoed the conference committee report (CCR) on HB 2036 which passed the House unanimously and the Senate 24-9. It is uncertain if the Senate will be able to override her veto. In addition to the veto, the Governor proposed an alternative tax relief proposal with a less expensive price tag, but that includes many of the same provisions that have been proposed all Session. These include policies such as eliminating the state sales tax on food by July 1st; eliminating state taxes on social security income; and would increase the residential property tax exemption from \$40,000 to \$125,000. The Governor's press release on her veto of the tax bill can be found here: <https://governor.kansas.gov/governor-kelly-proposes-alternative-tax-cuts-plan-vetoes-unsustainable-tax-bills/>

In addition to negotiations on a new tax plan, the Legislature will be busy with veto override attempts on a variety of issues, as well as negotiations and passage of several CCRs left undone at First Adjournment. The Legislature could also attempt to override any line-item vetoes the Governor makes to the Budget bill. Finally, on Friday, the Senate will vote on two motions to bring both Medicaid Expansion and medical marijuana bills to the Senate floor for debate. These will most certainly fail.

Over the last two weeks, the Governor issued vetoes on several bills, most of which were expected, including on the anti-gender affirming care legislation, tax exemptions for crisis pregnancy centers, an elections bill that prohibits any use of federal funds in administering local elections, and others. The Legislature certainly will take up override efforts for many of these.

Issues yet to be resolved during the Veto Session include final passage of a K-12 budget bill, possible continued negotiations on tax relief if there is a veto, and amendments to the state budget, or the "Omnibus" budget. Given the relatively stable economic forecast for the state over

the next few years, there will certainly be some tinkering with the budget and likely efforts to spend more in certain areas that were left on hold at First Adjournment.

Following the April break, this report is a brief review of our issues of interest still alive during the last week of the session. Except for any updates on bills signed or vetoed, you have seen this summary when the regular session concluded on April 5th. If you have questions about the status of any issues, please let us know. When the Legislature officially adjourns Sine die on Tuesday, we will have an updated report for you detailing how everything gets wrapped up over the next five days.

CBA Topics

With the Governor's veto of HB 2036, the privilege tax rate reduction remains unresolved. The Governor's latest plan has not yet been made available, so we have yet to see if it includes the rate reduction. Assuming the Legislature works out yet another tax relief plan, we believe the issue will be included in a final product.

Legislation of Interest

CCR on HB 2036 (tax relief plan)

- Includes many of the provisions that have been discussed all Session:
 - Reduction of the privilege tax rates. Normal rate for banks reduced from 2.25% to 1.94% for tax year 2024 and all years thereafter; normal rate for trusts and savings and loans from 2.25% to 1.93% for tax year 2024 and going forward.
 - Elimination of the state sales tax on food by July 1st.
 - Elimination of state income tax on social security.
 - Two-tiered tax bracket: 5.15% and 5.55%.
 - Increases in the standard deduction and personal exemption.
 - Decreases the statewide 20 mill school levy to 19.5.
 - Increases the residential exemption from \$40,000 to \$100,000.
- Summary:
https://kslegislature.org/li/b2023_24/measures/documents/ccrb_hb2036_03_04052024.pdf
- Passed the House unanimously and the Senate 24-9.
- Vetoed by the Governor on April 24th.

UCCC Modernization (Sub HB 2247).

- Summary:
https://kslegislature.org/li/b2023_24/measures/documents/supp_note_hb2247_02_0000.pdf
- Signed by the Governor on Friday, March 29th.

OSBC Legislation/Foster Care Savings Accounts

- Now CCR on HB 2560: Providing when applications under the state banking code are considered abandoned or expired and allowing an originating trustee to have such trustee's principal place of business outside of Kansas.
- Summary:
https://kslegislature.org/li/b2023_24/measures/documents/ccrb_hb2560_01_0000.pdf
- Also includes provisions from 2023 HB 2247, which would prohibit banks from requiring a cosigner for an account of a child in the custody of the secretary. After negotiations with DCF last year, the banking industry is supportive of the legislation. The

legislation allows children in foster care to open checking and savings accounts without a co-signor. Information about this portion of the legislation is found on page 48 of the CCR summary.

- Approved by the Governor on April 19th.

Credit Union Statute Modernization

- HB 2561: Authorizing domestic credit unions to operate outside of the state, providing civil penalties for certain violations, allowing the administrator to enter into informal agreements, removing requirements regarding duplicate filings, establishing appeals procedures for suspended credit and supervisory committee members, and requiring the members of a merged credit union to approve such merger.
- Signed by the Governor on March 29th.

Other Financial Institutions-Related Legislation

CCR on HB 2465: Adoption Savings Accounts

- Provisions from SB 494/HB 2757 included in CCR on HB 2465: Enacting the adoption savings account act, allowing individuals to establish adoption savings accounts with certain financial institutions, providing eligible expenses, requirements and restrictions for such accounts and establishing addition and subtraction modifications for contributions to such accounts under the Kansas income tax act.
- Passed the House 83-38 and the Senate 29-10.
- Bundled with tax credits for contributions to pregnancy resource centers and a sales tax exemption for such centers.
- Vetoed by the Governor due to the pregnancy resource centers provision.

CCR on SB 172 (foreign land ownership)

- SB 446 was the original proposal brought by the Attorney General earlier in the Session. It would have prohibited acquisitions of ownership interests in certain Kansas real property by foreign individuals and entities unless authorized by the state land council and establishing the state land council.
- SB 446 is dead, but members of the Federal and State Affairs Conference Committee worked all week on a somewhat related bill, CCR for SB 172, which would prohibit foreign principals from countries of concern from acquiring any interest in non-residential property located within 100 miles of a Kansas military base.
- Failed in the Senate; sent back to conference committee for possible further action during Veto Session.
- Summary of CCR for SB 172:
https://kslegislature.org/li/b2023_24/measures/documents/ccrb_sb172_02_04042024.pdf

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

Thursday, April 25th.

- Joint Senate Ways & Means and House Appropriations Committee. 9:00 AM.
 - Consensus revenue estimates; human services caseload estimates; education caseload estimates; Governor's Budget Amendments.

Friday, April 26th.

- Veto Session begins.

Tuesday, April 30th.

- Sine Die (official end of the Session).

Wrap Up

Let us know if you have any questions.

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