



Community Bankers Association of Kansas

Legislative Update

April 17, 2019

Overview

Education funding issues were addressed in the last week of the regular session. The Governor has signed the school finance plan and the briefing of the Court was held April 15th. Several issues including the budget and tax policy remain outstanding for additional attention when the wrap up session begins in May. There are only a few financial institution issues still outstanding during the wrap-up session and we anticipate they will be dealt with during an interim committee and the 2020 legislative session. New bills to tax credit unions on business loan income and eliminate business loans income privilege tax for banks are setting up a contentious interim and 2020 session.

Big Picture Issues

The final week of the regular Session concluded Friday April 5 and the Legislature adjourned for three weeks to return on Wednesday, May 1st, for the wrap up or Veto Session.

Conference committees hammering out differences in legislation and bundling bills together filled most of the week. The spotlight was on the Education finance conference committee that met throughout the week to debate school funding and policy. After a series of tense meetings, the House and Senate members came to an agreement late Wednesday evening. Ultimately, the House accepted the Senate's funding proposal, which is the plan the Senate passed in March, and is also the plan Governor Kelly supports. In short, the education policy agreed to seek to address the state Supreme Court's adequacy concerns by adding \$90 million in school funding for the next four years. The chair of the K-12 Education Budget committee agreed to accept the plan, but still held that the funding in Senate Bill 16 was "fiscally irresponsible". On Thursday afternoon the House voted 76-47 to adopt the conference committee report and a few hours later the Senate voted 31-8 to also adopt the report. The bill was sent to the Governor and she signed it on April 6.

Other conference committees such as health and judiciary found common ground on several issues. The health conference committee bundled bills including the corporate practice of medicine and easing some social worker licensure requirements. The insurance conference committee is advancing the Farm Bureau health care product and modifications to the association health plan laws to the Governor. One significant item that remains unresolved is the overall state Budget, which includes funding for state agencies for 2019 through 2021. On April 4th the Budget Conference Committee decided against adopting a committee report and will instead resolve their disagreements over the budget during the veto session. This move leaves all the state spending on the table and up for negotiations at the end of the session.

Legislation of Interest

Most bills are not exempt and unless they have passed their chamber of origin or are in conference committee, are dead for the 2019 session. Non-exempt bills that have not passed their chamber of origin are removed from this report. Several of the bills in our report were

bundled together in one conference committee report and passed the House chambers before break and should run in the Senate for a final vote during the veto/wrap up session.

Bills that have been published and the bill history can be found on the Legislature's official website: http://www.kslegislature.org/li/b2019_20/measures/bills/

Bills the Governor Has Approved

Update State Banking Code.

- SB 82: Updating the state banking code.
 - KBA requested bill amends provisions of the State Banking Code (Code) relating to certificate of existence, voting rights for conversion to a state charter, and the method of delivery for certain notices.
 - Summary:
 - http://www.kslegislature.org/li/b2019_20/measures/documents/summary_sb_82_2019
 - Passed Senate 40-0 and Senate 124-0.
 - Governor signed on 4/10/19.

Center for Entrepreneurship Contributions.

- SB: 90: Extending the tax credit under the center for entrepreneurship act to financial institutions and increasing the annual tax credit limit for all contributors.
 - KBA bill requested bill would allow financial institutions to claim the Center for Entrepreneurship tax credit beginning in tax year 2019, which would be applied to the privilege tax owed. The maximum amount of tax credits that any taxpayer could claim would be increased from \$50,000 to \$100,000. The total amount of tax credits that could be claimed for all taxpayers would remain capped at \$2.0 million per fiscal year.
 - Summary:
http://www.kslegislature.org/li/b2019_20/measures/documents/summary_sb_90_2019
 - Passed Senate 40-0 and House 122-2.
 - Governor signed on 4/4/19.

Industrial Hemp.

- Senate Sub for House Bill 2167:
 - Kansas Department of Agriculture submits a plan to the United States Department of Agriculture outlining how the state will monitor and regulate the commercial production of industrial hemp.
 - Phase two of industrial hemp research project approved last year.
 - Expands cultivation of industrial hemp for commercial use.
 - Passed House 114-3 and Senate 37-0.
 - Governor signed on 4/15/19.
 - Summary:
http://www.kslegislature.org/li/b2019_20/measures/documents/ccrb_hb2167_01_040319.pdf

Bills Sent to the Governor

Farm Bureau and association health plan bills. Conference Committee report on HB 2099.

- SB 32: Farm Bureau non-insurance healthcare benefits. None insurance bill that exempts the Farm Bureau plan from Insurance Department regulatory authority and allows for a non-ACA compliant health product (not insurance).

- Other components of association health plan bills including:
 - Remove a membership limitation placed on AHPs that requires the association have at least 25 members, employees, or employees of members to be offered group accident and health insurance coverage.
 - Statement of purpose and intent for small employer health plans including to prevent abusive rating practices, to require disclosure of rating practices to purchasers, to establish rules regarding renewability of coverage, to establish limitations on the use of pre-existing condition exclusions, to provide for development of ‘basic’ and ‘standard’ health benefit plans to be offered to all small employers,
 - Alters definitions of association health plans and small employer health plans.
- Passed Senate 28-12 and House 84-39 and awaiting Governor’s action.

Bills Still Alive

Tax reductions, itemized deductions, foreign income, FDIC premiums.

- SB 22: Kansas itemized deductions, election, providing for deferred foreign income, global intangible low-taxed income, business interest, capital contributions and FDIC premiums income tax modifications
 - “Windfall” state tax policy changes in response to federal tax policy changes in 2017.
 - Includes FDIC premiums as deductions for financial institutions.
 - House added 1.0% reduction in sales tax on food and implementation of sales tax and use tax on some internet sales.
 - Senate concurred with House amendments on March 14 and the bill is headed to the Governor.
 - Governor vetoed the bill on March 25 and the House and Senate did not have the votes to override the veto.
 - Best summary can be found at:
http://www.kslegislature.org/li/b2019_20/measures/documents/supp_note_sb22_03_0000.pdf
 - Revenue impact of SB 22 is reflected in the following table showing reductions in revenue to the State and tax relief to individuals and business interests.
 - There are plans during the veto session to attempt passage of another tax reduction. There are not details regarding the potential contents of the bill yet.

	(Dollars in Millions)		
	FY 2020	FY 2021	FY 2022
Individual Income Tax Provisions			
Itemized Deduction Option	\$ (50.1)	\$ (60.3)	\$ (60.9)
Business Income Tax Provisions			
Repatriation	\$ (10.5)	\$ (0.4)	\$ (0.2)
GILTI	(70.9)	(24.7)	(24.2)
Limitation on Interest Deductions	(53.1)	(25.5)	(30.6)
FDIC Premium Deductions	(2.7)	(1.3)	(1.3)
Capital Contributions	negligible	negligible	negligible
Subtotal-Business Income Tax	\$ (137.2)	\$ (51.9)	\$ (56.3)
Sales Tax Rate Decrease on Food (all funds)			
State General Fund Share	\$ (36.5)	\$ (55.4)	\$ (56.3)
State Highway Fund Share	(7.0)	(10.7)	(10.8)
Subtotal-Food Sales Tax Decrease	\$ (43.5)	\$ (66.1)	\$ (67.1)
Internet Sales Tax Provisions (all funds)			
State General Fund Share	\$ 18.2	\$ 27.7	\$ 28.2
State Highway Fund Share	3.5	5.4	5.5
Subtotal-Internet Sales Tax	\$ 21.7	\$ 33.1	\$ 33.7
TOTAL	\$ (209.1)	\$ (145.2)	\$ (150.6)
Total State General Fund Share	\$ (205.6)	\$ (139.9)	\$ (145.3)
Total State Highway Fund Share	(3.5)	(5.3)	(5.3)

Privilege Tax Deduction for Interest.

- Senate Bill 238: Remove privilege tax on interest income from business loans (commercial and agricultural) for banks and savings and loan associations.
- Kansas Bankers Association bill introduced at the very end of the regular session.
- No hearing has been scheduled but there may be an interim hearing in the Joint Committee on Taxation prior to the 2020 legislative session.
- Bill copy here:
http://www.kslegislature.org/li/b2019_20/measures/documents/sb238_00_0000.pdf

Imposing A Tax on Certain State Credit Unions.

- Senate Bill 239: Privilege tax on certain credit unions.
- Kansas Bankers Association bill introduced at the very end of the regular session.
- Bill would impose privilege tax on interest income earned from business loans (commercial and agricultural) for state-chartered credit with assets in excess of \$100 million.
- No hearing has been scheduled but there may be an interim hearing in the Joint Committee on Taxation prior to the 2020 legislative session.
- Bill copy here:
http://www.kslegislature.org/li/b2019_20/measures/documents/sb239_00_0000.pdf

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://www.kslegislature.org/li/b2019_20/chamber/calendars/

Additionally, virtually all hearings are now available on line. You can find those hearings on the Legislature website at: <http://sg001-harmony.sliq.net/00287/Harmony/en/View/Calendar/>

Wrap Up

The Legislature is adjourned at the conclusion of the regular session. They will return to Topeka on May 1 for the wrap up veto session that has no specific date of termination.

Please let us know if you have questions.

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