



## **Community Bankers Association of Kansas**

### **Legislative Update**

**January 19, 2021**

#### **Overview**

The 2021 Session began Monday, January 11<sup>th</sup>. Activity at the Statehouse is chaotic, to say the least. Most committees have had some level of technical difficulties, and some committees had no audio or video capabilities, which has made the process more than cumbersome this first week. We expect some of these issues to be worked out by next week. The first week of Session is always busy, between the Governor's State of the State Address, the release of the Governor's Budget, and lots of bill introductions.

We are also beginning some hearings this week specifically on financial institutions issues.

#### **Big Picture Issues**

It is only the first week, but the 2021 Legislature's priorities are becoming clear and we expect only a handful of topics to be front and center this Session. These include taxes (sales, income, and property, specifically); telemedicine; the Kansas Emergency Management Act (KEMA); and restricting abortion. Many other important issues will likely be forced to wait until the next session.

Tax Issues: The tax committees are focusing on tax bills dealing with property tax reform; internet sales and compensating use taxes; and the income tax bills that have been repeatedly vetoed by Governor Kelly the last two years. The Senate Tax committee has already forwarded to the full Senate a property tax reform bill that calls for greater transparency in the property tax notification process. We expect the major income tax bill that addresses individual and corporate income taxes to have a hearing next week and be forwarded to the full Senate for a vote.

Additionally, the Senate has already advanced in the first week their property tax truth in taxation bill. Senate Bill 13 eliminates the current tax lid on local governments but now will require a public hearing process if a proposed budget increases the amount of revenue collected. The tax lid goes away, but local property taxing entities now must vote to collect any increased assessed valuation. The bill is headed to the House.

Income tax reductions are coming next.

Telemedicine: While Medicaid Expansion is unlikely to pass this year, lawmakers on both sides have acknowledged the benefits of telemedicine during the pandemic and beyond. Currently, the increased flexibilities for telemedicine expire January 26<sup>th</sup>, so the Legislature is

working quickly to secure an extension in the current policy before taking a deeper dive on firming up the state's telemedicine policies. This issue will be resolved before the session ends.

KEMA: A special committee met multiple times over the interim to discuss potential changes to KEMA to modernize it and clarify issues of state and local authority. Once the Legislature extends the disaster declaration and the provisions that go with it (i.e., telemedicine), they will begin working on amending KEMA to address issues of enforcement and penalties; local authority; and legislative oversight of executive orders.

- The Special Committee on KEMA interim report was just released and can be found here: [http://www.kslegresearch.org/KLRD-web/Publications/CommitteeReports/2020CommitteeReports/ctte\\_spc\\_2020\\_ks\\_emerg\\_manage\\_act\\_1\\_complete\\_report.pdf](http://www.kslegresearch.org/KLRD-web/Publications/CommitteeReports/2020CommitteeReports/ctte_spc_2020_ks_emerg_manage_act_1_complete_report.pdf)
- Committee recommendations/items for further study can be found on p. 1-3.

Abortion: The House and Senate Federal and State Affairs committees have already scheduled hearings for this Friday, January 15<sup>th</sup>, on an anti-abortion constitutional amendment. The amendment “reserves to the people the right to regulate abortion through their elected state representatives and senators.” This issue will likely take up a great deal of time and debate in the coming days and may overshadow many other policy discussions.

Governor's Budget: The State Budget Director presented Governor Kelly's budget to the Joint Committee on Senate Ways and Means and House Appropriations on Wednesday, January 15<sup>th</sup>. The Governor's budget is focused on responding to the pandemic while continuing to invest in the state's economic recovery and development. A few key components include protecting core services; fully funding education; reducing reliance on State Highway Fund transfers, and IT modernization across state agencies.

- The Governor's Budget Summary Report presentation can be found here: [https://budget.kansas.gov/wp-content/uploads/Director\\_Budget\\_Presentation-UDPATED-1-14-2021.pdf](https://budget.kansas.gov/wp-content/uploads/Director_Budget_Presentation-UDPATED-1-14-2021.pdf)
- Volumes I and II of the Governor's proposed fiscal year 2022 budget can be found here:
  - [https://budget.kansas.gov/wp-content/uploads/FY2022\\_GBR\\_Vol1-1-13-2021.pdf](https://budget.kansas.gov/wp-content/uploads/FY2022_GBR_Vol1-1-13-2021.pdf)
  - [https://budget.kansas.gov/wp-content/uploads/FY2022\\_GBR\\_Vol2-1-13-2021.pdf](https://budget.kansas.gov/wp-content/uploads/FY2022_GBR_Vol2-1-13-2021.pdf)

The proposed budget is flat with little growth, funds schools, reduces transfers from the State Highway Fund, and eliminates a delayed PMIB payment. On the other hand, the budget includes amortizing future KPERs payments to generate immediate revenue. The budget process will likely move faster than usual, in some measure due to concerns about health in the statehouse.

## **Financial Institutions Issues**

### Economic Recovery & Privilege Tax Legislation

- The House and Senate Financial Institutions committees will revisit last year's legislation on both the economic recovery linked deposit program and privilege tax deductions on agricultural real estate loans and single-family residence loans.
- As a reminder, the Governor vetoed this legislation, HB 2619, last Spring.
- The Senate Financial Institutions committee will hear this legislation, now SB 15, on Thursday, January 21<sup>st</sup>, at 9:30 am.

- Link to the bill here:  
[http://www.kslegislature.org/li/b2021\\_22/measures/documents/sb15\\_00\\_0000.pdf](http://www.kslegislature.org/li/b2021_22/measures/documents/sb15_00_0000.pdf)

### OSBC Legislation

- OSBC introduced their legislation in House Financial Institutions and Rural Development this week. Their proposal would move mortgage provisions in the UCCC under the KMBA. No bill number yet, but we will pass that along once it becomes available.

### 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://www.kslegislature.org/li/b2021\\_22/chamber/calendars/](http://www.kslegislature.org/li/b2021_22/chamber/calendars/)

Additionally, all hearings are now available on-line live on YouTube and archived by the end of each day. You can find those hearings on the Legislature website at: <http://sg001-harmony.sliq.net/00287/Harmony/en/View/Calendar/>

*Wednesday, January 20.*

House Financial Institutions & Rural Development. 9:00 AM.

- KLRD Overview on Kansas Financial Institutions Privilege Tax & Recent Legislation and Study Pertaining to the Tax and to the Kansas Economic Recovery Loan Deposit Program.

*Thursday, January 21.*

Senate Financial Institutions. 9:30 AM.

- Hearing on SB 15 economic recovery loan program/privilege tax deductions.

Senate Tax. 9:30 AM.

- Action on SB 22 income tax bill which includes the provision allowing banks to deduct their FDIC insurance premiums on their taxes.

### Wrap Up

Let us know if you have any questions.

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