



Community Bankers Association of Kansas

Legislative and Policy Update

February 1, 2021

Overview

The big-ticket items of the Session continue to steadily make their way through the process as week three ends. The Senate debated SB 15 on the floor this afternoon and it passed as amended.

Big Picture Issues

Tax Issues: The tax committees continue their work on property and income tax legislation. Senate Bill 13, the Truth in Taxation property tax reform bill, is scheduled for final action in House Tax on Tuesday. The Senate Tax continues their work on the major individual and corporate income tax bill, SB 22, and will resume their work this week.

State of Disaster Extension: At the beginning of this week, Governor Kelly signed SB 14, extending the state of disaster emergency through March 31st. The Legislature now has until March 31st to look at the state's Emergency Management Act (KEMA) with the intent to make permanent changes related to liability, local control, penalties and enforcement of executive orders, legislative oversight during states of disaster, as well as carrying forward the flexibilities in telemedicine.

Abortion: On January 22nd, the Kansas House passed the anti-abortion amendment 86-38. The Senate passed the resolution 28-11 on Thursday evening. The amendment will be placed on the primary ballot in August 2022.

Financial Institutions Issues

Economic Recovery & Privilege Tax Legislation

- The Senate Financial Institutions committee passed out SB 15 favorably as amended on Thursday, January 28th, and the bill passed today on the Senate floor.
- The amendments added to the bill were discussed during the hearing last week. The amendments were offered by the State Treasurer and Farm Credit.
- In summary, the amendments:
 - Amend the definition of “eligible borrower” to mean any individual or entity operating a business primarily for commercial or agricultural purposes and with no more than 100 full time employees. They also must be transacting business within the state of Kansas.
 - Farm Credit must also have at least one branch operating in Kansas.
 - The State Treasurer will provide an annual report on the linked deposit program and after 1/1/24 the Legislature shall perform a review of the program.

- Clarifies that loans should be exclusively for operating the borrower's business in Kansas.
- The Farm Credit amendment adds language to clarify the definition of qualified ag real estate. It redefines qualified ag real estate loans as loans made on real property that is substantially used to produce one or more agricultural products. They also must:
 - Have maturities of not less than five years and not more than 40 years.
 - Be secured by first lien interest in real estate, except that the loans may be secured by a second lien interest if the institution also holds the first lien on the property.
 - Have an outstanding loan balance when made that is less than 85% of the appraised value of the real estate (except for private mortgage).
- Link to committee's action on the bill can be found here: <https://www.youtube.com/watch?v=-RgARrERPfE>
- Additionally, the House Financial Institutions and Rural Development committee held their hearing on the bill, HB 2069 on Monday, January 25th.
 - The link to that hearing can be found here: <https://www.youtube.com/watch?v=YzDpZ8mQpqA>

OSBC Legislation

- OSBC introduced their legislation in House Financial Institutions and Rural Development a few weeks ago. 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.
- KBA and CBA have concerns and will be opposing the legislation.

SB 22 Income Tax Bill

- As of Thursday, January 28th, the Senate Tax committee suspended their work until next week on SB 22. As a reminder, SB 22 includes the provision allowing banks to deduct their FDIC insurance premiums on their taxes. The bill will likely pass out of committee this week.

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/

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/>

Monday, February 1.

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

- Presentation on the State of Banking, OSBC.

Wednesday, February 3.

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

- Presentation on A Look into the Future of Rural Kansas, Ewing Marion Kauffman Foundation.
- Possible final action on bills previously heard.

Wrap Up

Let us know if you have any questions.

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