



Community Bankers Association of Kansas

Week Five Legislative and Policy Update

February 15, 2021

Overview

Week Five of the 2021 Session has been the busiest thus far, with budget hearings beginning, hearings continuing, and the race to introduce bills before the February 12th deadline all culminating in a whirlwind week. We are three weeks away from Turnaround Day when all non-exempt bills must have either passed their chamber of origin or been blessed. Again, bill introductions are finished for the most part (except in exempt committees, of which there are only a couple), so this should be the last report that includes an overwhelming amount of bills. Keep in mind, most new bills will not receive hearings this Session but will remain alive for the 2022 Session.

Big Picture Issues

Taxes: The Senate worked well into the night on Tuesday to pass SB 22, the major income tax cut bill. Several amendments were made to the bill, significantly adding to the bill's cost. The bill is estimated to cost the state \$1 billion over the next three years. The bill focuses on business and investment taxes, as well as tax benefits for those who itemize. The Senate passed this version of the bill after the Governor announced an alternative plan earlier in the day.

- Link to the Governor's tax proposal here:
<https://content.govdelivery.com/accounts/KSOG/bulletins/2c04c7a>
- More on the bill the Senate passed Tuesday:
<https://kansasreflector.com/2021/02/09/kansas-senate-jettisons-restraint-to-transform-modest-tax-bill-into-470-million-behemoth/>
- Link to the bill, as amended by the Senate, here:
- http://www.kslegislature.org/li/b2021_22/asures/documents/sb22_02_0000.pdf

Finally, the bill eliminating the tax lid and implementing a different set of requirements on local government entities passed out of the House Taxation committee with a few amendments and is headed to the House floor next week.

COVID: Miraculously, the Session continues uninterrupted by COVID-19. Lawmakers, staff, and Statehouse regulars can make use of free rapid testing, and first round vaccinations were made available to lawmakers last week.

K-12 Education: Lawmakers continue the policy debate over public and private schools. Both the full Senate and House Committees have passed bills that alter and expand the state's scholarship program to be used for private schools. The Senate debated for several hours Thursday evening the first bill of several that pertain to this issue. The non-public school debate will continue throughout the session.

There are many new bills, but few will be heard in the coming weeks. We will keep you updated and sort through this legislation, but we will also keep focused on the topics receiving hearings and likely to advance.

Financial Institutions Issues

Economic Recovery & Privilege Tax Legislation Summary and Update

SB 15 Quick Summary

- As a reminder, SB 15 includes both the Economic Recovery Linked Deposit Program and credit union field of membership provisions. The linked deposit program will use \$60 million in state idle funds for a low interest loan program administered by the State Treasurer's office. The privilege tax portion of the bill eliminates the privilege tax on agricultural real estate loans and single-family residential loans in communities of 2,500 people or less.
- Link to the bill summary here:
http://www.kslegislature.org/li/b2021_22/measures/documents/supp_note_sb15_02_0000.pdf

SB 15 Update

- The House Financial Institutions and Rural Development Committee held a hearing on Monday, 2/8, and passed the bill out of committee two days later. The House passed the bill Thursday 122-1, and the bill awaits the Governor's signature.
- As a reminder, the Senate passed SB 15 as amended 39-0 on Monday, February 1st.
- The sole floor amendment in the Senate raised the cap from 100 employees to 200 employees for eligible businesses in the Economic Recovery Loan Program. All parties agreed to increasing the cap to 200 full time employees.

New Bills of Note This Week

- SB 178: Providing for trust company charter conversions.
 - Hearing in Financial Institutions Wednesday, 2/17.
 - Link to bill here:
http://www.kslegislature.org/li/b2021_22/measures/documents/sb178_00_0000.pdf
- SB 218: Providing restrictions, lender reporting and other requirements for alternative small installment loans made under the UCCC.
 - Companion bill to HB 2189 introduced last week.
- HB 2268: Enacting the Kansas rural home loan guarantee act and authorizing the state treasurer to guarantee a certain portion of rural home loans made by financial institutions and report to the legislature regarding such loan guarantees.
- HB 2320 C-PACE: Enacting the commercial property assessed clean energy (C-PACE) Act, providing financing for certain energy, water, air, health, and renewable energy efficiency improvements through assessment contracts between C-PACE lenders and property owners and establishing certain rights, duties, and responsibilities for mortgage lenders regarding C-PACE assessments.

Other Hearings this Past Week

- HB 2187: Enacting the first-time home buyer savings account.
 - Hearing in House FIRD. Proponents included the Kansas Future Caucus, KBA, Heartland Credit Union Association, and the Kansas Association of Realtors. There were no neutrals or opponents.
 - Proponents argued the bill will help young people generate savings to become first-time homebuyers, encourage younger people to stay in Kansas, and supports sustained homeownership.

- Eleven other states, including Oklahoma, Colorado, Iowa, and Missouri, have first time home buyer account programs.
- The committee passed the bill out on Wednesday, 2/10.

OSBC Legislation

- Bill was introduced and given number SB 242.
- Link to SB 242
http://www.kslegislature.org/li/b2021_22/measures/documents/sb242_00_0000.pdf
- OSBC's proposal would move mortgage provisions in the UCCC under the KMBA.
- KBA and CBA have concerns and will be opposing the legislation.

SB 22 Income Tax Bill

- Last week, the Senate Tax committee amended the bill to strike the loss carryback and remove the retroactivity of the bill. Most of the provisions will now be implemented in tax year 2021 instead of tax year 2020, including the provision allowing banks to deduct their FDIC insurance premiums.
- As reported above, the Senate passed an amended version of SB 22 on Tuesday 24-15.

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/>

Wednesday, February 17.

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

- Hearing on HB 2268: Enacting the Kansas rural home loan guarantee act.

Senate Financial Institutions. 9:30 AM.

- Hearing on SB 178: Providing for trust company charter conversions.

Wrap Up

Let us know if you have any questions.

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