



Community Bankers Association of Kansas

Week Nine Legislative and Policy Update

March 15, 2021

Overview

We have passed the midpoint of the Session and the Legislature is turning its attention to the state's budget, making changes to the Kansas Emergency Management Act (KEMA) that governs how the state operates during disasters, and confronting some major tax policies and changes.

We have less than a month left of the regular Session before First Adjournment on April 9th. After a couple more weeks of committee work, then one week for conference committees to come to agreements on bills, both chambers will then debate and pass bills before adjourning. Conference committees are comprised of House and Senate committee chairs and leaders who negotiate different versions of pending legislation. They will not return until May 3rd for the wrap-up session. The state budget may or may not be resolved before first adjournment, and some of the weightier issues such as KEMA and various tax policies may also be saved until the wrap-up session.

The overall number of bills still alive is narrowing. Fewer bills are advancing, and fewer hearings are being held, but the Session still faces many unresolved issues. Bills no longer advancing are removed from this report.

Big Picture Issues

State Budget: Both budget committees held hearings and began work on the state's mega-budget. Senate Ways and Means approved their version of the budget on March 11th, including a range of provisions to be revisited after Omnibus next month, after the Legislature has received the latest consensus revenue estimate and has a better sense for how the latest round of federal funds will be distributed. The latest federal relief funds may complicate a swift budget resolution. We expect House Appropriations to pass their budget next week sometime, and conference committee work will likely begin the following week.

KEMA: The two bills confronting changes to KEMA, HB 2146 and SB 273, have some notable differences, particularly when it comes to oversight of executive orders and the role of local health officers during disasters. Each bill constricts the Governor's power to act unilaterally during a public health emergency and increase to varying degrees the level of Legislative oversight. In general, the changes will prioritize local elected officials' authority, including local school boards, to make decisions during a public health emergency. The Judiciary Conference Committee has met multiple times but has not yet reached an agreement.

Taxes: The major property tax bill, SB 13, passed the House last week and the Senate voted 30-5 to concur with the few changes the House made to the bill. The bill repeals the tax lid and requires the new transparency procedures to increase the amount of revenue collected from property taxes. It now awaits the Governor's signature. No action has yet been taken on the House side on SB 22, the major income tax cut bill. SB 22 is estimated to cost the state \$1 billion over the next three years. Most provisions in SB 22 will now be implemented in tax year 2021

instead of tax year 2020, including the provision allowing banks to deduct their FDIC insurance premiums. The House version of the income tax cut bill, HB 2421, has a hearing next week and conference committee meetings will resolve the tax policy issues. Additionally, the Senate passed SB 50 which requires marketplace facilitators (i.e., Amazon, Etsy, etc.) to collect and remit sales and use taxes, which is expected to increase the state's revenue by roughly \$40 million and level the playing field for local brick-and-mortar businesses.

Financial Institutions Legislation of Interest

With the signing of SB 15 (Economic Loan Recovery Program and Privilege Tax legislation) into law, there are only a few outstanding financial institutions-related issues for the remainder of Session.

- SB 178: Providing for trust company charter conversions.
 - Hearing in Financial Institutions Wednesday, 2/17.
 - OSBC brought the legislation forward. Currently, the Kansas banking code does not allow a national bank to convert to a state trust company, so this legislation would incorporate trust companies into the conversion statutes. It allows national banks to come into the state as trust companies, and state trust companies can go out of the state as national banks.
 - There were no neutrals or opponents to the bill.
 - Passed the Senate 39-0 on 3/3.
- HB 2187: Enacting the first-time home buyer savings account.
 - The committee passed the bill out on Wednesday, 2/10, and the House passed the bill 119-3 on 2/18.
 - Hearing in Senate FI&I on Tuesday, 3/16.
- Technology-Enabled Trust Banks (HB 2398 and **SB 288**)
 - HB 2398: Enacting the technology-enabled trust bank act, providing requirements, fiduciary powers, duties, functions and limitations for trust banks and the administration thereof by the bank commissioner and creating an income and privilege tax credit for certain qualified distributions from trust banks.
 - The banking industry has numerous concerns and questions regarding this legislation and what it does exactly. The bill will not receive a hearing this year, though it may be an issue discussed over the interim.
 - Companion bill SB 288 was introduced in an exempt committee this week at the request of the Senate President. Again, we do not expect this to go anywhere this Session, but with the support of legislative leadership, we will likely be hearing more about this issue during the interim and next Session.

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/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, March 15th.

House FIRD. 9:00 AM.

- Hearing on SB 178: Trust company charter conversions.

Tuesday, March 16th.

Senate FI&I. 9:30 AM.

- Hearing on HB 2187 First-time Home Buyer Savings Account.

Wednesday, March 17th.

House Tax. 3:30 PM.

- Hearing on HB 2421 (House version of income tax cut bill). Income tax modifications for GILTI, business interest, capital contributions, FDIC premiums, and PPP loans and expenses; itemized deductions, etc. Link to the bill here:

http://www.kslegislature.org/li/b2021_22/measures/documents/hb2421_00_0000.pdf

Wrap Up

Let us know if you have any questions.

Shawn P. Mitchell, President
Community Bankers Association of KS
5897 SW 29th Street
Topeka, KS 66614
785-271-1404 Office
shawn@cbak.com
www.cbak.com

Stuart J. Little, Ph.D.
Little Government Relations, LLC
800 SW Jackson, Ste. 1100
Topeka, Kansas 66612
785-235-8187 Office
stuartjlittle@mac.com
www.lgrkansas.com