



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

February 14, 2022

Overview

Week five was packed with bill hearings and floor action on some big topics, from the passage of the major economic development incentive bill to the narrow override in both chambers of the Governor's veto of the congressional map. In addition to long days of debate in both chambers, the budget process continues to move forward while policy committees have packed agendas to hear and work bills before the Turnaround deadline. Next week is largely business as usual with committees meeting to hear bills and finalize budgets, and then the following week both chambers will be on the floor debating bills for much of the week before Turnaround Day, February 24th, which marks the official midpoint of the Session.

Big Picture Issues

Latest on Redistricting

- On Monday, the Senate failed to override the Governor's veto of the congressional map by three votes, 24-15. The following day, the Senate gained the three votes necessary to override the veto. Presumably, this was made possible when a couple of Senators agreed to change their votes if certain vaccine-related legislation was allowed to pass out of Senate Health Committee and have debate on the floor.
- The bill, Senate Substitute for HB 2280, did pass out of committee, created a personal exemption for childhood vaccines to essentially make it a philosophical exemption, but the bill was not debated and eventually sent back to committee.

Latest on Elimination of the State Sales Tax on Food

- On Thursday, Senate Tax passed out its version of the food sales tax bill, SB 339. As expected, the committee heavily amended the bill, and the result is a bill with an exorbitant fiscal note. Unlike the Governor's proposal in SB 342, SB 339 includes prepared food, encompassing restaurants as well, which inflates the cost of the bill significantly.
- In short, the committee added the following amendments:
 - Adds local option so that cities and counties can remove their local sales tax if they choose.
 - Adds SB 359: Exemption of state sales tax on utilities. Fiscal note for this bill alone is \$55-\$60 million.
 - Adds SB 327: Excludes separately stated delivery charges from the sales or selling price for sales tax purposes. Fiscal note for this bill is \$4.8 million.

- Adds SB 228: Allowing retailer to retain the state rate of sales and compensating use tax from movie ticket sales and concession sales. Fiscal note for this bill is \$6.9 million.
- Implementation date pushed to 2024.
- Additionally, SB 339 does not hold KDOT harmless.
- Finally, one more food sales tax bill, HB 2616, was introduced this week that would allow for a gradual reduction in the sales tax on food, only if the state's ending balance is above the 7.5% constitutionally required ending balance. No hearing scheduled yet.

Financial Institutions Related Issues

It was a relatively quiet week in the financial institution's committees, other than more movement on various TEFFI bills. Additionally, on a different note, there were hearings on the three major housing bills of the Session. Two of the bills provide tax incentives while the third expands the Rural Housing Incentive District.

Committee Activity This Past Week

- Aside from TEFFI activity, Senate FI&I held a hearing on SB 400 which would make changes to the Uniform Trust Code. It seems work still needs to be done on the legislation, so it is unclear if that advances this Session.
- Additionally, there were two days of hearings on significant housing and housing incentive bills, which are detailed below.

Hearings on Major Housing Bills

- SB 369: Establishing the Kansas affordable housing tax credit act providing income, privilege, and premium tax credits for qualified low-income housing projects.
 - SB 369 is essentially state enactment of the federal low-income housing tax credit statute.
 - Proponents included Advantage Capital, Farm Bureau, Sisters of Charity of Leavenworth, and the Overland Property Group.
 - KHRC testified as "supportive neutral" as a public institution.
- SB 375: Enacting the Kansas housing investor tax credit act and expanding Kansas housing programs to facilitate economic development by providing tax credits for investment in residential housing projects in underserved rural and urban communities to accommodate new employees and support business growth.
 - Applies to cities with population of less than 70,000.
 - Applies to counties with population of less than 75,000.
 - \$18 million would be allocated for the program.
 - Heartland Housing Partners, LKM, the Kansas Bankers Association, Kansas Farm Bureau, Building Kansas, Kansas Association of Realtors, and the Kansas Manufactured Housing Association all testified in support.
- SB 376: Expanding Kansas housing programs to facilitate economic development by broadening the Kansas rural housing incentive district act to allow use of bond proceeds for construction of residential dwellings and buildings and to include the city of Topeka, increasing availability of loans or grants to rural communities for moderate income housing, establishing a program for urban communities for moderate income housing and permitting housing developments to include manufactured or modular housing.

- Includes addition of \$40 million in the State Housing Trust Fund over two years. 75% of that amount is allocated for rural areas and 25% for urban areas.
- The proponents listed above for SB 375 also testified in support of SB 376.
- Additionally, KHRC, as a public institution, testified as neutral, though they noted their support for the bills.

Active Bills

Any new bills are in **bold**.

- SB 400: Updating certain requirements and conditions relating to the creation, modification, and termination of trusts in the Kansas uniform trust code and updating the definition of resident trust for tax purposes.
 - Heard in FI&I on February 8th.
 - Midwest Trust Company testified in support of the bill and requested a few further changes to the bill, including changing the definition of resident trust, as well as raising the value on uneconomic trusts from \$100,000 to \$250,000 to account for inflation.
 - KBA's trust division provided written-only proponent testimony, and the Kansas Bar Association testified as neutral. The Bar Association shared that the Judicial Council is still working on proposed language and suggested that more time is needed before changing anything in the Uniform Trust Code.
 - There have been substantial revisions to the bill as currently drafted, including the requested removal of several sections, so it is uncertain whether the bill will be heard again or if it will advance this year.
- **SB 483**: Increasing criminal penalties for theft and criminal damage to property involving remote service units such as automated cash dispensing machines and automated teller machines.
 - Introduced by KBA.
- SB 335 KBA health plan bill: Exempting certain business entities that provide health insurance in the state but are not subject to the jurisdiction of the commissioner of insurance from payment of the annual premium tax.
 - http://kslegislature.org/li/b2021_22/measures/documents/sb335_00_0000.pdf
 - Hearing in Senate FI&I Thursday, January 20th.
 - KBA and the Kansas Cooperative Council testified in support. No opposition.
 - Passed out of committee 2/7.
- **HB 2664**: Prohibiting banks, trust companies, credit unions and other business entities from discriminating based on certain subjective or arbitrary factors.
- HB 2568 KMBA bill from the 2021 Session: Amending the Kansas mortgage business act by providing for mortgage business work at remote locations, license and registration renewal or reinstatement procedures, surety bond requirements and evidence of solvency and net worth and requiring notice when adding or closing branch offices.
 - Hearing in House FIRD 1/31.
 - Proponents included OSBC, Zillow, Rocket Mortgage, and the Mortgage Bankers Association.
 - Passed out of committee 2/9.

TEFFI Bills

- SB 334: Amending provisions of the TEFFI Act relating to procedures when undercapitalized or insolvent; fees and assessments; applications; examinations;

insurance and capital requirements and disclosures to consumers and requiring such institutions to be mandatory reporters for purposes of elder abuse.

- SB 337: Converting the conditional charter issued for the pilot program under the TEFPI Act to a full TEFPI charter.
 - Passed the Senate 39-0.
 - Heard in House FIRD Monday, 2/7, and passed out of committee on 2/9.
- HB 2489: Companion bill to SB 334.
 - Passed out of House FIRD 2/9 as amended.
 - The committee made several amendments to the bill, which are summarized here on pages 6-8:
http://kslegislature.org/li/b2021_22/measures/documents/supp_note_hb2489_010000.pdf
- SB 377: Authorizing TEFPI insurance companies within the captive insurance act and providing for the requirements and operations thereof.
 - Passed out of Senate FI&I 2/9.
- HB 2554: Converting the conditional charter issued for the pilot program under the TEFPI Act to a full TEFPI charter.
 - Heard in FIRD Monday, 2/7.
- HB 2547: Authorizing TEFPI insurance companies within the captive insurance act and providing for the requirements and operations thereof.
 - Heard in House Insurance January 31st.

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 16th.

House FIRD. 9:00 AM.

- Final action on 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.

Thursday, February 17th.

Senate FI&I. 9:30 PM.

- Final action on bills previously heard.

Wrap Up

Let us know if you have any questions.

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