



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

March 14, 2022

Overview

Snowstorms disrupted week nine, like several weeks prior. The storm essentially shut down most activities on Thursday and Friday. Committees have just one week left to hear and work bills before spending the following week in conference committees. Both chambers will meet the week of the 28th to debate bills before adjourning by Friday, April 1st. Other than the Senate this week passing another major tax reduction bill, as well as sending to the House a bill that expands APRN authority to practice independently, most all major issues are still in play. Additionally, a few issues, namely medical marijuana, and sports wagering, have received new momentum this week and movement is likely on those issues in the coming weeks.

Big Picture Issues

As we have reported for the past few weeks, we are nearing First Adjournment, but most issues are still in play:

- The State Budget. Senate Ways & Means assembled its budget this week and House Appropriations is set to do the same early next week. Budget conference committee will likely begin the week of March 21st.
- State Food Sales Tax Exemption. There are still about eight bills in play when it comes to this topic, ranging from an immediate reduction to a 0% state rate, to a gradual, 3-year reduction in the state sales tax on food. Only one bill, SB 339, has passed out of committee, though the House Tax Committee is expected to advance its own version early next week.
- The Senate passed the first major tax bill of the Session.
- Debate prohibiting changes to Medicaid; medical marijuana; and healthcare including vaccines and public health issues has yet to happen.
- Redistricting. While the congressional maps are now sitting in the courts, the Legislature is gearing up for debate on the state legislative district maps, which were released Thursday.
- There is no announcement on the APEX economic development project site determination. That decision impacts much of the conclusion of the 2022 session.

Senate Tax Bill

- The tax bill passed by the Senate this week includes both income tax credits and property tax relief, totaling roughly \$157 million in the first year. The bill passed the Senate 33-4 and includes the following provisions:
 - Raises the property tax exemption for the statewide 20-mill levy from \$20,000 of residential property to \$65,000 with future increases based on inflation. This provision would take effect in tax year 2022.
 - \$250 individual income tax credit for schoolteachers purchasing classroom supplies. Takes effect in tax year 2022.
 - Housing related tax credits:

- \$35,000 tax credit for housing developers for constructing low-income housing in rural counties with a population of 8,000 to 25,000.
 - Income tax credit for low-income housing projects that are eligible for the federal low-income housing tax credit. Takes effect in tax year 2023.
- Aviation tax credit for graduates of aviation and aerospace programs and their employers.
- Property tax freeze for seniors and disabled veterans. Eligible recipients cannot make more than \$50,000 per year and their home value cannot exceed \$350,000.
- A summary of the bill and its various provisions can be found here: http://www.kslegislature.org/li/b2021_22/measures/documents/supp_note_sb282_01_0000.pdf

Budget Process Update

- As mentioned above, the Senate has assembled its budget and the House is set to do the same next week. Once each budget passes its respective chamber, the budget conference committee will begin meeting to negotiate and work out differences.
- In general, the House and Senate budget bills are similar, and a final reconciliation should not take long.

Financial Institutions Related Issues

Committee Activity This Past Week

- House Judiciary this week heard SB 483 which would increase criminal penalties for theft and criminal damage to property such as ATMs. CBA, KBA and Heartland Credit Union Association testified in support.
- House Insurance advanced KBA's SB 335 health plan premium tax exemption bill.

Housing Bills

Provisions of two of the three major housing bills were included in the tax bill passed by the Senate earlier this week. Provisions of SB 369 and SB 375 were included and are as follows:

- SB 375: Tax credits for investment in residential housing projects in underserved rural and urban communities to accommodate new employees and support business growth.
 - Added to Senate tax reduction bill on March 3rd. Includes staggered tax credits depending on size to stimulate rural and low-income housing.
- SB 369: Establishing the Kansas affordable housing tax credit act providing income, privilege, and premium tax credits for qualified low-income housing projects. Essentially state enactment of the federal low-income housing tax credit statute.

SB 376: 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.

- Mainly impacts counties with fewer than 25,000 inhabitants.
- Passed out of Senate Fed & State Affairs.

Active Bills

No new bills of note pertaining to financial institutions were introduced this week.

- SB 400 (now Sub for 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.
 - Worked in FI&I on February 17th.

- As discussed during the hearing, the first two sections of the bill were removed to address the conferees' concerns, and also amends the definition of resident trust.
- Summary of the bill as amended:
http://kslegislature.org/li/b2021_22/measure/documents/supp_note_sb400_01_000.pdf
- In short, the two sections that were removed included the provision for opting out of the rule against perpetuities as well as the decanting statute. The Judicial Council will continue to study these sections and the Legislature may address these issues in the future.
- Passed the Senate 40-0.
- Passed out of House FIRD 3/8.
- 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.
 - Heard in Senate Judiciary and passed out of Senate Judiciary on 2/18. No amendments.
 - CBA, KBA and Heartland Credit Union Association testified in support.
 - Passed the Senate 40-0.
 - Heard in House Judiciary Monday, 3/7.
- 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.
 - Passed the Senate 34-0 February 17th.
 - Passed out of House Insurance 3/8.
- 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.
 - Passed the House 118-3 on 2/23.
 - Heard in Senate FI&I on Wednesday, 3/9.
- 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.
 - No movement on the bill this week.
- SB 510: Enacting the Kansas vacant property act to prohibit municipalities from imposing any fees or registration requirements on unoccupied residential or commercial property.
 - Financial institution proponent concerns focused on how lien holders cannot do anything until foreclosure, so vacant property remains vacant while they will have to pay fees.
 - Unlikely to advance.

TEFFI Bills

- SB 337: Converting the conditional charter issued for the pilot program under the TEFFI Act to a full TEFFI charter.
 - Signed by the Governor on 2/25.

- HB 2489: Companion bill to SB 334.
 - Passed the House 120-0 on February 16th.
 - Heard in Senate FI&I on 3/3.
- SB 377: Authorizing TEFFI insurance companies within the captive insurance act and providing for the requirements and operations thereof.
 - Passed the Senate 36-3 on February 15th.
 - Heard in House FIRD Wednesday, 3/9.
- HB 2547: Authorizing TEFFI insurance companies within the captive insurance act and providing for the requirements and operations thereof.
 - Passed the House 120-1 on 2/23.
 - Heard in Senate FI&I Tuesday, 3/8.

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://kslegislature.org/li/b2021_22/chamber/calendars/

Additionally, all hearings are now available online live 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/>

Tuesday, March 15th.

House Tax. 3:30 PM.

- Final action on HB 2711: State food sales tax reduction.

Wednesday, March 16th.

House FIRD. 9:00 AM.

- Informational briefing on Kansas Housing Investor and Affordable Housing Tax Credit Act.

Wrap Up

Let us know if you have any questions.

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