



## **Community Bankers Association of Kansas**

### **Kansas Legislative and Policy Report**

**January 30, 2023**

#### **Overview**

The pace has picked up in Week Three and the Governor’s State of the State Address on Tuesday seemed to give the Session its official start. Bills began having hearings this week and next week is full of more. Both chambers may have their first few bills to debate on the floor next week. The budget committees begin hearings and deliberations next week that will last for the next couple weeks.

#### **Highlights from the Week**

1. The Governor’s State of the State Address on Tuesday highlighted her priorities for the 2023 Session and beyond:
  - a. “Axing Your Taxes” Plan to do three things: Immediately eliminate the state sales tax on food, feminine hygiene products, and diapers; implement a back-to-school sales tax holiday; and cut taxes on social security income.
  - b. Continue to fully fund K-12 education and special education.
  - c. Confront the state’s water crisis.
  - d. Expand Medicaid.
  - e. Legalize medical marijuana.
  - f. Expand the mental health intervention team program to more school districts.
  - g. Respond to the opioid crisis in Kansas by decriminalizing fentanyl testing strips and increase funding for naloxone in schools.
  - h. Establish the state’s early childhood task force to explore creating a state agency dedicated solely to early childhood programming and initiatives.
  - i. The Governor’s speech can be accessed here:  
<https://governor.kansas.gov/governor-kelly-delivers-the-2023-state-of-the-state-address/>
2. Former House Speaker Tim Shallenburger (R-Baxter Springs) was sworn into the Kansas Senate to fill retiring Senator Richard Hilderbrand’s Senate District 13 seat. Senator Shallenburger will serve on the Judiciary, Local Government, Transparency and Ethics, and Transportation committees.

## Big Picture Issues

### Health Care

- No action on Medicaid expansion yet but there are some healthcare issues impacting the state. Health and funding committees are being briefed on these issues.
- Conclusion of the COVID public health emergency over this year will have impacts:
  - Federal government financial support for Medicaid services were increased during COVID and they will decline throughout the year by 6.5 percent.
  - At the same time, Medicaid eligibility was suspended during COVID and now they will again be reviewing and removing ineligible individuals from Medicaid.

### Tax Bills:

- Back to School Sales Tax Holiday.
  - Multiple bills that would provide for a Back-to-School Sales Tax Holiday in August are making their way through the process. The proposals had hearings in Senate Tax last week and will have hearings on the House side next week.
- Food Sales Tax
  - The Governor's plan to immediately eliminate the state sales tax on food, feminine hygiene products, and diapers has yet to have a hearing.
  - HB 57 & HB 2111.
- Social Security Income Tax Reductions.
  - There are several proposals to reduce taxes on social security income and smooth out the current \$75,000 cliff. The first of several bills, HB 2107, was heard this week in House Tax.
- Personal, Corporate Income Tax Reductions
  - The Kansas Chamber introduced its "flat tax" bills to reduce both the personal and corporate income tax rates. This plan would reduce the state's tax brackets from three to one for individuals.
  - No hearing has yet been scheduled for this legislation.

### Education

- Higher education institutions have the Governor's budget support for additional funding, as does K-12.
- The K-12 issues in committee this week and next are focused on issues such as non-public school scholarships and the special education formula.
- Both these issues will be a central issue throughout the session.

### What's Next

- Next Week: Budget hearings and deliberations begin for state agencies and will carry over into the following week.
- January 30<sup>th</sup>: Last day for legislators to request bill drafts from the revisor.
- February 6<sup>th</sup>: Last day for non-exempt committees to request bills.
- February 8<sup>th</sup>: Last day for individuals to introduce bills in originating chamber.

## **Financial Institutions Related Issues**

### **CBA Week Two Highlights**

- There was little financial institutions related activity in either of the main committees this week, and next week will largely be informational briefings or insurance topics. There will be an informational briefing on ESG in House FI&P.

### **New Bills to Note**

- SB 104: Allowing a surcharge when purchases are made with a credit or debit card.
- HB 2144: KBA's trust modification bill.
- HB 2197: Providing a procedure for the distribution of a first-time home buyer savings account balance upon the death of an account holder, changing the term "transfer on death" to "payable on death" and resolving a conflict when beneficiaries differ on a financial institution's account records and tax forms required by the secretary of revenue.

### **Privilege Tax**

- The Kansas Chamber introduced HB 2061 and SB 61.
  - Lowers the privilege tax for banks to 3.13% from 4.375% and the rate for savings and loans to 3.21% from 4.5%.
  - Provides an income tax rate of 5% for individuals and corporations.
  - Decreases the surtax for entities subject to the privilege tax.
  - Provides that future income tax rate decreases be contingent on exceeding revenue estimates.
  - No hearings scheduled yet.

### **Trusts**

- HB 2144: Authorizing modification of a noncharitable irrevocable trust to provide that the rule against perpetuities is inapplicable, providing that the Kansas uniform statutory rule against perpetuities is inapplicable to trusts under certain circumstances and modifying the definition of resident trust in the Kansas income tax act.
  - Hearing Wednesday, February 1<sup>st</sup>, in House Judiciary, 3:30 PM.

### **ESG**

- No bill introduction(s) yet.
- Informational briefing in House FI&P on Wednesday, February 1<sup>st</sup>.

### **OSBC Bills**

- SB 44: Kansas Financial Institution Security Act, to clarify OSBC's ability to enforce Federal Trade Commission's Safeguards Rule, and that it applies to all non-bank entities (i.e., TEFFIs) under its jurisdiction.
- SB 51: TEFFI Act Amendment to permit OSBC to collect FBI fingerprinting and background check requirements on TEFFI officers.

### **C-PACE**

- There has been no C-PACE bill yet introduced, but the Nature Conservancy is still working on the issue. It seems the organization is still looking for solutions to address the priority lien issue, and there has been some discussion of a privilege tax credit for priority lenders who make C-PACE loans.

## **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/b2023\\_24/chamber/calendars/](http://kslegislature.org/li/b2023_24/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 Legislative YouTube at:

[https://www.youtube.com/channel/UC\\_0NO-Pb96CFABvxDwXAq8A](https://www.youtube.com/channel/UC_0NO-Pb96CFABvxDwXAq8A)

*Monday, January 30.*

House FI&P. 9:00 AM.

- Hearing on HB 2105: Enacting the Kansas earned wage access services act, establishing requirements, duties and prohibitions for persons engaged in earned wage access services and providing for the administration of such act by the office of the state bank commissioner.
- Hearing on HB 2133: Allowing a surcharge when purchases are made with a credit or debit card.

*Tuesday, January 31.*

General Government Budget. 3:30 PM.

- Presentation from State Treasurer Steven Johnson.

*Wednesday, February 1.*

House FI&P. 9:00 AM.

- Informational Hearing on ESG.
- Possible final action on bills previously heard.

## **Wrap Up**

Let us know if you have any questions.

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