



## **Community Bankers Association of Kansas**

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

**February 06, 2023**

#### **Overview**

Week Four marks the beginning of some of the busiest weeks of Session. Budget hearings have begun, and bills are beginning to build up on the House and Senate floor for future debate in both chambers. We are approaching the deadline this next week for bill introductions, so following this week, bill introductions will dwindle.

Committees will work for the next two weeks to pass bills out of committee, before debating bills on the floor the week of February 20<sup>th</sup>. Most bills must pass their chamber of origin by February 24<sup>th</sup>, the official midpoint of the Session, to remain alive for the second half of Session.

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

1. Budget hearings began for a few state agencies. The budgets for the larger state agencies, including KDHE and KDADS, will begin next week.
2. First medical marijuana bill of the Session introduced in Senate Federal and State Affairs.
3. Hearings on some of the major tax bills, including on the food sales tax bill and the reduction or elimination of taxes on social security income, will take place next week.
4. State revenue remains strong as the state's tax collections for January totaled \$1.05 billion, exceeding estimates by \$56.2 million. The total exceeded January 2022 receipts by \$102.4 million.
5. New APEX project announced late Thursday, a semi-conductor facility in Wichita:  
<https://governor.kansas.gov/governor-kelly-announces-integra-technologies-to-invest-1-8b-create-nearly-2000-jobs-with-wichita-semiconductor-plant/>

#### **Big Picture Issues**

##### 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. Several of the proposals have been heard in both tax committees.
- Food Sales Tax

- The Governor’s plan to immediately eliminate the state sales tax on food, feminine hygiene products, and diapers will be heard next Tuesday in House Tax (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 was heard this week in House Tax and more will be heard next week.
- Personal, Corporate Income Tax Reductions
  - The major “flat tax” legislation introduced by the Kansas Chamber has yet to have a hearing. The fiscal note for the legislation was made available this week, estimating a flat tax would cost the state upwards of \$3 billion over three years.

#### Other Policy Topics

- Education: The debate over non-public school scholarships is heating up, with hearings on one of the major proposals for universal education savings account happening next week.
- Health: No major bill hearings in either health committee as of yet, nor has there been any discussion regarding Medicaid Expansion, outside of the Governor’s office.

### **Financial Institutions Related Issues**

#### CBA Week Four Highlights

- This week, House FI&P held an informational briefing on ESG and heard from Americans For Prosperity, KBA, and Kansas Interfaith Action on the topic.
- House Judiciary heard HB 2144, similar to legislation from last year, that would make updates to the Kansas Trust Code to make Kansas trust companies more competitive with surrounding states.

#### ESG

- The House FI&P committee this week was briefed on ESG policy or pending legislation in other states, and also heard from interested parties who largely expressed the need to take a middle-of-the-road approach when it comes to state involvement in what is seen largely at this time as a federally driven issue.
- Speakers encouraged the committee to take a balanced approach as the Legislature contemplates passing ESG legislation and cautioned the committee against passing punitive policy that would create unnecessary liability concerns for Kansas banks or businesses. While other states have seen strongly worded economic boycott-type legislation, conferees warned against that type of legislative action.
- CBA has seen a first round of ESG legislation that would have negative impacts on financial institutions, and it is unlikely to advance in that form. There is reportedly another revised draft of ESG legislation circulating, but it has not yet been introduced.

#### 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.
  - Heard Wednesday, 2/1, in House Judiciary.
  - Midwest Trust Company testified in support.
  - Several questions and some confusion from committee members as to the rationale behind the legislation and some concern of unintended consequences.

### 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.

### UCCC

- HB 2241: Increasing the amount charged per annum on closed end credit consumer loans.
- HB 2242: Providing restrictions, lender reporting and other requirements for alternative small installment loans made under the UCCC.

### Consumer-Related Legislation

- HB 2243: Enacting the protect vulnerable adults from financial exploitation act.
- SB 104: Allowing a surcharge when purchases are made with a credit or debit card.
- 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.

### Other

- HB 2247: Prohibiting banks from requiring a cosigner for an account of a child in the custody of the DCF Secretary.

### 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, February 6.*

House FI&P. 9:00 AM.

- Hearing on 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.

*Tuesday, February 7.*

Senate FI&I. 9:30 AM.

- Hearing on SB 44: Enacting the Kansas financial institutions information security act.
- Hearing on SB 51: Authorizing the state bank commissioner to accept state and national criminal history record checks from private entities. (TEFFI follow-up).

*Wednesday, February 8.*

Senate FI&I. 9:30 AM.

- Hearing on SB 34: Expanding the use and availability of rural housing incentive districts.
- Hearing on SB 37: Expanding the transferability of income, privilege and premium tax credits issued under the Kansas housing investor tax credit act.

*Thursday, February 9.*

Senate FI&I. 9:30 AM.

- Hearing on SB 104: Allowing a surcharge when purchases are made with a credit or debit card.

## **Wrap Up**

Let us know if you have any questions.

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