



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

March 27, 2023

Overview

The last week of regular committee meetings has wrapped up, leaving just two more weeks before First Adjournment on April 6th. Over the next two weeks, conference committees will meet and both chambers will debate bills on the floor.

It was the last week for committees to meet and they advanced many issues quickly—to the consternation of many lawmakers—for debate before the end of next week. As always happens in these last weeks, committees combine several controversial policy topics, particularly related to health and education, so that they become eligible for conference committee.

The Legislature will adjourn Thursday, April 6th, for a two-and-a-half-week Spring Break, and return Monday, April 24th for Veto Session. The rumor, and hope, is that the Legislature plans to officially wrap up all their work by May 1st, which is at least a week earlier than usual.

Highlights from the Week

1. We continue to see mixed messages on public health issues. Following an abbreviated hearing on a bill that would require vaccination exemptions, as well as repeal the meningitis vaccination requirement for university student housing, the Senate Health Committee initially failed to advance the bill out of Committee. However, the following day, the Committee made a questionable motion to reconsider the bill, and ultimately advanced the bill out of committee. They also advanced an additional vaccine bill, SB 314, that would prohibit KDHE from requiring the COVID-19 vaccination for children attending childcare facilities or school.
2. The House will debate and pass its budget early next week. The Senate passed its budget last week. The Budget Conference Committee will begin meeting late next week. Following the Legislature's Spring Break next month, the revised, or Omnibus, budget bill will be finalized and sent to the Governor for review and approval. On April 20th, the updated Consensus Revenue Estimates (CRE) will release the next eighteen months of revenue projections, giving lawmakers the latest estimates for the state's economic outlook they utilize when making final budget decisions and negotiations.

Big Picture Issues

Tax Bills

- Food Sales Tax
 - The elimination of the state sales tax on food will be negotiated in conference. Efforts to exempt the local portion of the tax have cooled. The House position in Conference Committee will be an accelerated elimination of the state sales tax on food, potentially by July 1, 2023, as opposed to January 1, 2025, in current law that was passed last year.
- Social Security Income Tax Reductions.
 - The Senate has passed SB 33, which would exempt all social security and retirement benefits from Kansas income tax. It also increases the Kansas standard deduction by a cost-of-living adjustment. House Tax has heard the bill and has its own proposal in HB 2457, so this issue will be negotiated in Conference Committee.
- Personal, Corporate Income Tax Reductions
 - House Tax has heard and passed its comprehensive tax bill, HB 2457, which includes various income, property, and sales tax provisions, as well as a privilege tax rate reduction. Many of those provisions will likely be the House position in Tax Conference Committee.
 - Flat tax proposals will also likely be negotiated in conference. The House position in HB 2457 is a flat rate of 5.25%.

Other Policy Topics

- The Senate this week narrowly (21-17) passed legislation that makes changes to the state's childcare regulations. The legislation makes changes to education and licensing requirements, as well as altering current staff to child ratios. The childcare community opposes the bill.
- This week the House passed the education budget, which provides funding for the state's public school system for the next two years. The bill, Substitute for SB 113, also includes some policy provisions, including mental health intervention services in schools; continuation of the statewide 20 mill levy for schools; authorizing districts to compensate school board members; and a handful of other policies.

Financial Institutions Related Issues

Weekly Highlights

- Both ESG bills, HB 2436 and SB 291, now look strikingly similar, after the Senate Committee reworked its bill to remove the controversial section 5 that dealt with informed consent. HB 2436 is the first of the ESG bills to pass its chamber, passing the House 85-38.
- This week the House Financial Institutions Committee held an informational briefing on the banking industry in Kansas, following the recent failures of SVB and Signature Bank. OSBC provided a summary of why the two banks failed; how FDIC insurance works and different ways depositors can ensure their funds are insured, even if they exceed \$250,000. The OSBC assured the committee that Kansas banks are extremely safe and sound and that depositors in Kansas banks should be confident that their money is safe.
- House Tax advanced its comprehensive tax proposal in HB 2457, including a privilege tax rate reduction. We will provide a summary of the amended bill once it becomes available.

ESG

- Both bills now appear relatively similar since the Senate committee removed Section 5 of SB 291.
- Summary of SB 291 as amended:
http://kslegislature.org/li/b2023_24/measures/documents/supp_note_sb291_02_0000.pdf
 - Senate will debate SB 291 on Monday, 3/27.
- Summary of HB 2436 as amended by House committee:
 - Passed the House 85-38 on 3/23.
- Both bills are making their way through the process as the U.S. House this week failed to override President Biden's veto of anti-ESG legislation.

Privilege Tax

- SB 300. Decreasing the privilege tax rates on banks, trust companies and savings and loan associations by reducing the normal tax rates.
 - CBA issued proponent testimony.
 - Full debate in Senate on Monday, 3/27.
- HB 2457 comprehensive income, property, and food sales tax bill. Provides a flat tax rate of 5.25%; increases the Kansas standard deduction by a cost-of-living adjustment; accelerating the elimination of the state sales tax on food to July 1, 2023; and provides for a privilege tax rate reduction.
 - Passed out of House Tax with amendments 3/24.
 - Included HB 2109: Increases the income limit for the income tax subtraction modification for social security income. (Increases it from \$75,000 to \$100,000 and softens the cliff between \$75,000 and \$100,000 to make it progressive instead).
 - Flat tax rate of 5.25%. In order to make sure no one gets a tax increase, raises the amount of taxable income for singles to \$12,300 for married filers and \$6,150 for single filers.
 - Takes corporate and privilege tax provisions and (the accelerated APEX provisions) accelerates them to tax year 2024.
- 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.
 - Heard in House Taxation Tuesday-Wednesday February 14th-15th.
 - CBA provided written proponent testimony.
- All of these tax issues have yet to be debated in either chamber, and will end up in conference committee.

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.
 - Passed the House 123-0.
 - Heard Thursday 3/23 in Senate Judiciary.
- HB 2172: Enacting the Uniform Trust Decanting Act.

- Passed the House 122-0.
- Heard in Senate Judiciary Monday, 3/13.

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.
 - Passed the Senate 33-5.
 - Passed out of House financial institutions on 3/13.
 - House debate on Monday, 3/27.
- SB 51: TEFFI Act Amendment to permit OSBC to collect FBI fingerprinting and background check requirements on TEFFI officers.
 - Both bills were heard this past week in Senate FI&I.
 - Blessed and alive for remainder of Session.

Consumer-Related Legislation

- SB 104/HB 2133: Allowing a surcharge when purchases are made with a credit or debit card.
 - SB 104 passed out of Senate FI&I. Blessed and alive for remainder of Session.
 - HB 2133 passed the House 87-35.
- 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.
 - Passed the House 121-1.
 - Passed the Senate 36-1.

Other

- HB 2247: Prohibiting banks from requiring a cosigner for an account of a child in the custody of the DCF Secretary. (Foster youth checking and savings account).
 - Proponents: DCF and Children's Alliance.
 - KBA testified as neutral and will offer friendly amendments to the bill:
 - To clarify that when a minor opens a deposit account, they will then be responsible for all of the duties and liabilities just like any other individual that opens an account.
 - Language to clarify that any bank that accepts these deposits may not require a co-signer.
 - Clarification to include safe deposit boxes.
 - Bill as amended:
 - http://kslegislature.org/li/b2023_24/measures/documents/hb2247_01_0000.pdf
 - Passed the House 114-7.

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/

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

Monday, March 27th-Wednesday, March 29th.

Floor debate in both chambers.

Some conference committees will begin meetings.

Thursday, March 30th-Friday, March 31st.

Conference committees.

Wrap Up

Let us know if you have any questions.

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