



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

Veto Session Report

May 2, 2024

Overview

The Legislature has officially adjourned Sine Die after a few long and chaotic days, wrapping up its business in the early morning hours of Wednesday. The week was certainly made more chaotic on Monday afternoon when the Senate failed, twice, to override the Governor's veto on the tax relief bill, CCR for HB 2036. The House easily overrode the Governor's veto, 104-15. The Senate, however, failed to reach the required two-thirds majority vote to override the veto, falling short by just one vote.

Late Tuesday night, the Tax Conference Committee pulled together a new, and final tax relief package that includes many of the provisions from CCR on HB 2036. These include policies such as eliminating the state sales tax on food by July 1st; increasing the residential property tax exemption from \$40,000 to \$100,000; eliminating state income tax on social security and increases to the standard deduction. However, the Committee made one change in an attempt to lower the fiscal note by changing the top bracket rate to 5.57% and the bottom tax bracket to 5.2%. The House passed CCR on SB 37 on a vote of 108-11 and the Senate 25-9. The summary of CCR on SB 37 can be found here:

https://kslegislature.org/li/b2023_24/measures/documents/ccrb_sb37_02_43024.pdf

It is unclear if the Governor will sign this latest plan, but it is becoming increasingly likely that she will veto it. If that happens, she will call a special session to address tax relief. The Legislature will not be pleased about this, as Republicans and Democrats are eager to spend as much time on the campaign trail as possible. Additionally, a Special Session means that any and all issues are on the table, which risks keeping the Legislature around for longer than they wish to be in Topeka during campaign season. We will keep you up to date as this develops.

Other Notable Events this Week

- Several farewell speeches were given in both chambers, signaling the changes that will come with this year's upcoming elections. A handful of House members are running for Senate seats, while others are retiring after many years of service. Only a few Senators are retiring, but there will likely also be a couple of Senate seats that flip, in addition to a couple of new Senate districts following redistricting. In short, there will be a significant number of new legislators to get to know in 2025.
- The Legislature passed the K-12 Education budget bill, CCR on SB 387, with overwhelming majorities in both chambers, 35-2 in the Senate and 115-2 in the House, some of the largest margins on an education budget bill in recent years.

- As anticipated, the Senate failed to bring both Medicaid Expansion and medical marijuana to the Senate floor for debate. Given new faces and possible changes in Legislative leadership next year, we will see how these issues might progress in 2025.
- While the Legislature managed to override several gubernatorial vetoes, including a sales tax exemption bill for various organizations and several line-item budget vetoes, the Legislature was unable to override the Governor's veto on CCR for SB 233, the anti-gender affirming care bill. The Senate overrode the bill 27-13, but the House fell two votes short of the 84 votes needed to override, 82-43.
- A new development Monday afternoon quickly gained lots of attention, as the Commerce Conference Committee quickly assembled an economic development package aimed at attracting the Chiefs and/or Royals to come to Kansas. Following the failure of the ballot measure in Jackson County, Missouri, which would have instituted a sales tax to help finance a new Royals stadium and renovation of Arrowhead Stadium, Kansas lawmakers took that opportunity to begin courting both teams to Kansas. Johnson County in particular stands to benefit greatly should either of these teams come to Kansas. The legislation did not pass the package before the regular session concluded, but it is likely to re-emerge during a special session if they meet again.
- Lastly, but importantly, the Legislature passed the Omnibus budget, CCR for HB 2551, that adds additional funding in a variety of areas including social services and behavioral health, economic development initiatives, and investments in higher education.
 - A summary of the Omnibus budget can be found here: https://kslegislature.org/li/b2023_24/measures/documents/ccrb_hb2551_01_0000.pdf
- Now, legislators will return home to hit the campaign trail, before beginning interim work in the next couple of months. Since it is an election year, and many legislators face very close races, there may be slightly less interim work than usual, but certainly still plenty to keep track of in Topeka over the next several months. From here on out, we will provide monthly updates on happenings in Topeka, as well as other pertinent updates as appropriate. As always, it is our pleasure to work with you and on behalf of you at the Kansas Statehouse.

CBA Topics

As anticipated, the privilege tax rate reduction managed to navigate the especially circuitous journey of this year's tax relief plan. In the end, the final agreement (CCR for SB 37) included the rate reduction that was included previously in CCR on HB 2036 that was vetoed by the Governor. We cannot say for certain if the issue is truly resolved, as there are rumblings of a special session in the coming weeks.

Legislation of Interest

Tax Reduction Plan. Formerly CCR on HB 2036, which the Governor vetoed on April 24th. A new tax plan, largely resembling HB 2036, is included in CCR for SB 37.

- Final agreement reached late on April 30th. The House passed the bill 108-11 and the Senate 25-9, but it is likely headed for a veto. A special session is likely on the horizon.
- Includes reduction of the privilege tax rates. Normal rate for banks reduced from 2.25% to 1.94% for tax year 2024 and all years thereafter; normal rate for trusts and savings and loans from 2.25% to 1.93% for tax year 2024 and going forward.
- Includes all the provisions of HB 2036, with one change to the brackets:
 - The top tax bracket was set at 5.57% and the lower at 5.2%.
- Other provisions included, and that were previously in HB 2036:
 - Elimination of the state sales tax on food by July 1st.

- Increases in the standard deduction and personal exemption.
- Elimination of the state income tax on social security.
- Decreases the statewide 20 mill school levy to 19.5. (The state will backfill the amount of reduced revenue resulting from the .5 mill decrease).
- Increases the residential exemption from \$40,000 to \$100,000.

UCCC Modernization (Sub HB 2247).

- Summary:
https://kslegislature.org/li/b2023_24/measures/documents/supp_note_hb2247_02_0000.pdf
- Signed by the Governor on Friday, March 29th.

OSBC Legislation/Foster Care Savings Accounts

- Now CCR on HB 2560: Providing when applications under the state banking code are considered abandoned or expired and allowing an originating trustee to have such trustee's principal place of business outside of Kansas.
- Summary:
https://kslegislature.org/li/b2023_24/measures/documents/ccrb_hb2560_01_0000.pdf
- Also includes provisions from 2023 HB 2247, which would prohibit banks from requiring a cosigner for an account of a child in the custody of the secretary. After negotiations with DCF last year, the banking industry is supportive of the legislation. The legislation allows children in foster care to open checking and savings accounts without a co-signor. Information about this portion of the legislation is found on page 48 of the CCR summary.
- Approved by the Governor on April 19th.

Credit Union Statute Modernization

- HB 2561: Authorizing domestic credit unions to operate outside of the state, providing civil penalties for certain violations, allowing the administrator to enter into informal agreements, removing requirements regarding duplicate filings, establishing appeals procedures for suspended credit and supervisory committee members, and requiring the members of a merged credit union to approve such merger.
- Signed by the Governor on March 29th.

Other Financial Institutions-Related Legislation

CCR on HB 2465: Adoption Savings Accounts

- Provisions from SB 494/HB 2757 included in CCR on HB 2465: Enacting the adoption savings account act, allowing individuals to establish adoption savings accounts with certain financial institutions, providing eligible expenses, requirements and restrictions for such accounts and establishing addition and subtraction modifications for contributions to such accounts under the Kansas income tax act.
- Passed the House 83-38 and the Senate 29-10.
- Bundled with tax credits for contributions to pregnancy resource centers and a sales tax exemption for such centers.
- Vetoed by the Governor due to the pregnancy resource centers provision.
- The legislature overrode the Governor's veto 85-40 in the House and 29-7 in the Senate.

CCR on SB 172 (foreign land ownership)

- SB 446 was the original proposal brought by the Attorney General earlier in the Session. It would have prohibited acquisitions of ownership interests in certain Kansas real

property by foreign individuals and entities unless authorized by the state land council and establishing the state land council.

- SB 446 is dead, but members of the Federal and State Affairs Conference Committee worked all week on a somewhat related bill, CCR for SB 172, which would prohibit foreign principals from countries of concern from acquiring any interest in non-residential property located within 100 miles of a Kansas military base.
- Summary of CCR for SB 172:
https://kslegislature.org/li/b2023_24/measures/documents/ccrb_sb172_02_04042024.pdf
- Passed the House 86-39 and the Senate 24-14.
- The Governor will more than likely veto the legislation. Because the Legislature has adjourned Sine Die, the Legislature cannot override the veto and it is more than likely dead.

Upcoming Activities

The Legislature has concluded the 2023-2024 biennial cycle and all bills that did not become law are dead. It is possible a special session will be called in the coming weeks. If there is a special legislative session, no bills exist, and any proposed legislation will need to be introduced. There will be interim committees in the fall and winter, and the Legislative Coordinating Council will approve topics and meeting dates in the next month or two. The 2025 Legislature will return on Monday, January 13, 2025.

Wrap Up

Let us know if you have any questions.

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