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## Kansas Legislative Report, January 20, 2023

*The Legislature began their second week of work on Tuesday after the Martin Luther King holiday. Committees picked up steam, holding informational hearings on issues that could be headliners this year, including taxes, workforce development, childcare, and water. Over 100 new bills were introduced, and dozens of hearings are scheduled. The Governor will also give her State of the State Address next Wednesday evening, two weeks later than usual.*

### Taxes

The Senate Tax Committee held hearings on three bills giving Kansans a back-to-school sales tax holiday. There are slight differences in price threshold, implementation date, and fiscal impact. All three bills include removal of both state and local sales tax. The Chair plans to work these bills next week. The Senate Tax Committee also received briefings from the Kansas Legislative Research Department on state sales and property tax collections.

The anticipated income tax cut bill was introduced in both the Senate and House Tax Committees this week. [Senate Bill 61](#) & [HB 2061](#) are sister bills and endorsed by the Kansas Chamber of Commerce. They would make the current income tax rate for all individual and corporations a flat 5%, instead of the current tiered rate structure. The proposal exempts the first \$15,000 of income and includes a trigger on future income tax rate cuts if state receipts exceed revenue estimates that year.

The Senate Tax Committee will hear several bills next week.

[Senate Bill 7](#) would reduce the individual income tax rates for residents living in a rural equity decline county. The bill defines a rural equity decline county as any county in Kansas with a population of 15,000 people or less.

[Senate Bill 8](#) would reduce penalties for the late payment of property taxes from 5% to 2% of the assessed value of the property if paid within the month that they are due. An additional 2% penalty will be assessed for each month thereafter but capped at 10% in aggregate.

[Senate Bill 40](#) provides for the carryforward of certain net operating losses for state income tax purposes. [Senate Bill 41](#) would provide a sales collection reimbursement for retailers up to 1.5% and capped at \$3,000 per business. Both of these proposals will have a hearing on Thursday, January 26<sup>th</sup> in Senate Assessment and Taxation. Both of these proposals were considered but didn't pass the Legislature last year.

The House Taxation Committee will hear two bills next week that would increase the limit for income tax to apply to social security benefits. [House Bill 2107](#) and [House Bill 2109](#) will both be heard in the House Taxation Committee on Wednesday.

### **Economic Development**

The Senate Commerce Committee heard two reports this week from Legislative Post Audit on the performance of economic development incentives in the state. The [IRB Property Tax Incentive Audit](#) focused on local property tax incentives and the [HPIP, JCF, KIT, KIR, PEAK Audit](#) focused on the major economic programs the state offers.

The major incentive audit found while incentive showed a return on investment that paid for itself, but not enough to cover the tax dollars lost to fund the incentives. These audits will also be presented in the Senate Assessment and Taxation Committee next week.

[Senate Bill 57](#), the Governor's bill to fully repeal state sales tax on food and establish the STAR bonds food sales tax revenue replacement fund was released this week. We expect a stand-alone STAR bonds food sales tax revenue replacement fund bill to be introduced next week.

### **Workforce**

On Tuesday, the House Commerce Committee received a briefing from staff [on the report](#) issued by the Special Committee on Workforce Development, which looked at workforce development and laws or regulations that may act as barriers to entry into the workforce. In addition, Eric Stafford, Kansas Chamber of Commerce, presented their "[Challenges to Compete Workforce 2020](#)" report which highlights several areas where Kansas can do better to attract and retain talent. [Click here](#) to listen to the committee's discussion on workforce.

Additionally, on Wednesday, Melissa Rooker, Executive Director for the Children's Cabinet, & Trust Fund, who highlighted recent efforts by the Cabinet to address the high demand and sort supply of childcare. Efforts include working to streamline oversight of the childcare industry and reduce regulatory burdens as well as work with communities to find local solutions. To watch the presentation [click here](#) and to view her testimony [click here](#).

### **Water**

The House Water Committee continued to hold informational hearings to educate new members and received presentations from the [Kansas Water Office](#), Kansas

Department of Agriculture's [Division of Water Resources](#), and the [Kansas Geological Survey](#) about the lifespan of the High Plains Aquifer.

All three committees plan to deep dive into the topic of water this year, hoping to develop both short term and long-term policies on water conservation and groundwater management.

## **Insurance**

The Senate Insurance Committee will have scheduled three days of hearings next week on several Kansas Department of Insurance bills. The Committee will hear bills ranging from [Senate Bill 14](#), the annual risk based capital date change to [Senate Bill 24](#), that streamlines the definition of small employer. The Kansas Department of Insurance bill package is aimed at reducing fees and streamlining processes within the Insurance Department. Other bills that will be heard next week include:

[Senate Bill 18](#), Adding certain legal entities to the definition of "person".

[Senate Bill 26](#), Specifying certain requirements to demonstrate fiscal soundness for HMO's and Medicaid providers.

[Senate Bill 15](#), Removing the requirement of a documented written demand for agents and brokers that fail to pay premiums dues.

[Senate Bill 19](#), Requiring certain premium taxes to be paid 90-days after each calendar year.

## **Health**

The House and Senate Health Committees were busy this week, hearing from several regulatory agencies and member organizations on the state's various health and welfare programs, including the recently launched [988 suicide hotline](#) and the [Legislative Post Audit's report](#) on foster care services in Kansas. The Legislature requested the audit in 2021 in the middle of litigation and allegations facing the state's foster care system.

The Kansas Legislative Research Department also provided committee members with [reports](#) from the special committees on mental health beds, IDD waiver, and workforce development who met during the interim. Next week's agenda for both health committees continue with much of the same report-outs.

## **Local Government**

The House Local Government Committee heard a briefing this week from the Kansas League of Municipalities. The League detailed their legislative priorities which include; protection of Home Rule, property taxes, mental health, housing, sales tax revenue for STAR bonds districts and water security.

[SB 65](#), a local control bill was requested this week by a new Republican Wichita Senator. The bill would allow local governments to regulate abortions in their communities. In addition, [Senate Bill 47](#) was released this week that prohibits regulation by cities and counties the sale of consumer products as well as plastic bags and other plastic containers.

## **State Budget**

Budget committees from a few agencies and reviewed some recent spending of COVID relief funds from the federal government.

The House Appropriations Committee held the first deep dive into recent COVID fund spending by the state. Republican committee members expressed concerns about the application and notification process as well as the disbursement of federal money for economic development.

## **Energy**

Several controversial bills were introduced last week in the Senate Utilities Committee. [Senate Bill 68](#) would grant incumbent electric transmission owners a right of first refusal for the construction of certain electric transmission lines. Currently under federal law, certain regional transmission projects are allowed to be competitively bid through the Southwest Power Pool.

Kansas Attorney General Kris Kobach this week joined a 21-state coalition that is challenging the Environmental Social Governance (ESG) standards of two investment advisory firms. The investigation claims that their advice on pension fund investments is based on political agenda rather than the best return for their customers. The Kansas Legislature introduced a [resolution](#) late in the session last year denouncing ESG practices and called on lawmakers to study the issue. A comprehensive ESG bill is expected to be introduced in Kansas in the coming weeks.