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Kansas Legislative Report, March 20-24, 2023

Today is the last day for non-exempt committees to meet for the 2023 Kansas Legislative Session. It was a frenzy of a week as committee chairs churned through bills and worked quickly to wrap up their business for the year.

Next week, the House and Senate will be on the floor Monday through Wednesday, followed by a four-day weekend, then another few days of conference committees leading up to first adjournment currently scheduled for April 6.

House Tax Cut Package

The House Tax Committee passed a **comprehensive tax cut bill**, [House Sub for SB 169](#), on Thursday that is estimated to cost the state roughly \$500 million next year and \$1.37 billion over three years. It contains several provisions that were considered separately this session:

- Moves to a single income tax bracket of 5.25%, exempting the first \$6,150 for individuals and \$12,300 for married couples.
- Increases the standard deduction for individuals in tax year 2023 from \$3,500 to \$4,000 and adds an annual cost of living adjustment to the standard deduction starting in tax year 2024.
- Fully eliminates the state sales tax on food by July 1 of this year. It does not impact local sales taxes. It would also repeal the current non-refundable food sales tax credit after tax year 2022.
- Increases the property tax exemption from \$40,000 to \$65,000 from the state's 20-mill levy for public schools starting in tax year 2023.
- Removes the current tax cliff on Social Security income and phases it out by increasing the \$75,000 threshold gradually over four years.
- Reduces the privilege tax rate for banks from 2.25% to 1.625% starting in tax year 2023. For trust companies and savings and loans associations, it would be cut to 1.61%.
- Cuts the corporate tax rate from 4% to 3% in the Attracting Powerful Economic Expansion (APEX) program after each project begins construction.

The Senate passed a different tax cut package last month. Albeit with roughly the same price tag, committee leaders will have to negotiate the differences in conference committee.

The full House is expected to debate their plan next week.

SALT Parity

[Senate Bill 313](#) passed the Senate Tax Committee this week. This measure amends the **SALT Parity Act** that clarifies the determination of taxable income of an electing pass-through entity, and to provide for the passing-through of tax credits to electing pass-through entity owners. The SALT Parity Act was passed last session and clarifying language was needed for the credit to be interpreted as intended by the Kansas Department of Revenue (KDOR). The Senate bill was amended to add Indiana language to allow for a choice by the taxpayer, adding an “or” to the bill.

An identical House bill, [House Bill 2465](#) was passed out of the House Taxation Committee this week as well, but does not contain the Indiana language. We expect both bills to run on the floor next week. In anticipation of this language passing, tax preparers and taxpayers have been asked by KDOR to hold off on SALT filings until after April 15th, when additional guidance and a worksheet will be posted on the KDOR website.

Childcare Reform

On Thursday, the Senate passed [Senate substitute for HB 2344](#) by a vote of [21-17](#). This bill originally dealt with membership of the state tourism council, but was gutted by the Senate Commerce committee for a vehicle to add the **childcare reform measures** including updating licensing numbers, staff to child ratios and educational and professional development requirements for daycare staff. Proponents of the measure argue these changes will help expand childcare capacity in Kansas and address the statewide shortage of available and affordable childcare. Opponents of the measure express concerns the measures are being rushed and need more study before being implemented and are asking the legislature wait for recommendations from the Governor’s Taskforce on Childcare.

The House Health committee on Wednesday passed an identical measure [House Substitute for SB 96](#). It is uncertain if the full house will debate their bill or work HB 2344 in conference committee.

School Finance Bill

The House passed their **school finance bill** yesterday by a vote of 75-48. The K-12 budget bill appropriates \$6.4 billion to public schools over the next three years. [House Substitute for Senate Bill 113](#) also does the following:

- Establishes the mental health intervention team program.
- Authorizes certain students to participate in sports regulated by the Kansas State High School Activities Association.
- Requires school districts to post certain enrollment and academic information on their website.
- Authorizes local school board members to receive compensation from their district.
- Continues the 20-mill statewide tax levy.

- Allows schools to use current-year enrollment for determination of state foundation aid.
- Amends the school districts that qualify for and the amount able to levy according to the cost-of-living weighting.

During House debate, Democrats introduced amendments dealing with special education funding and grants for fentanyl prevention that all failed. The Senate is expected to consider the bill next week.

Public Investing Standards

The House passed their proposal that would address state investments made based on **environmental, social, or governance** (ESG) criteria for state pensions and government contracts.

[House Bill 2436](#) passed by a vote of 85-38 and would amend investment standards by prohibiting state and local governments from giving preferential treatment to or discriminating against companies that support abortion, gender reassignment, or the manufacturing and sale of guns.

A proposal in the Senate imposes mandates on banks and the private sector and blacklists wealth fund managers that participate in ideological investing boycotts. The original [Senate Bill 291](#) included disclosure language that required private financial advisers to get consent from clients acknowledging that ESG guidelines are used in their investment decisions. That language was removed in committee this week.

This issue could make for one of the most contentious conference committee negotiations this year.

Railroad Legislation

[Senate Bill 271](#) would prohibits trains from exceeding **8,500 feet in length** on any main or branch line in Kansas, a provision strongly opposed by the Class I railroads but supported by labor unions. The business community has also raised concerns that the changes could negatively impact supply chains. The bill passed out of the Transportation Committee and is likely to run on the Senate floor next week.

Sexual Abuse

[Senate Bill 317](#) was heard this week in the Senate Judiciary Committee. The bill was introduced last week and removes the **statute of limitations** and liability caps for claims arising out of **childhood sexual abuse**. The bill also removes cities and counties from the tort claims act for these claims. During the hearing, there were 18 proponents to the bill and three written only neutral conferees expressing potential liability and insurance coverage concerns. There were no opponents to the bill. The contents of this bill were amended into [House Bill 2127](#) and passed out of the Senate Judiciary Committee today with some technical changes. The bill now goes to the Senate floor for consideration.

Budget Review

Both the House and Senate finished their main budget bills this week. The Senate passed [Substitute for Senate Bill 155](#) by a vote of 23-12 on Tuesday, and the House will debate their bill [House Substitute for SB 42](#) on the floor next week. The stage will then be set for the first round of budget negotiations in conference committee.

On Thursday, the House did amend their budget with bi-partisan support for \$1 million to assist sheltered based workshops (those who employ persons with disabilities) to transition from the federal authorized **14(c) certification** that currently allows them to pay some workers a sub-minimum wage. The fund is aimed at assisting these employers with paying competitive wages.

Also on Thursday, the Senate Ways and Means Committee did pass out [Senate Bill 309](#), the **Local Extraordinary Needs Fund** bill that Senate President Ty Masterson (R-Andover) offered as a fix to set aside \$220 million from the State General Fund to assist local governments affected by local food sales tax cut resulting in revenue cuts. Local government advocates have expressed concern about whether the fund would be funded year after year. However, the Senate President and Majority leader both sit on the budget committee and support the proposal.

In budget terms, it is relatively early with many moving parts still in play as the budget bill moves through the final stages of the legislative process.