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Kansas Legislative Report, January 15-19, 2024

The Legislature began their second week of work on Tuesday after the Martin Luther King holiday. Bitter cold temperatures and more snow, however, kept some legislators at home another day, making this another short week. While a few committee meetings were cancelled on Tuesday, it was mostly business as usual as lawmakers were eager to fast track a tax bill to the Governor's desk by the end of the week.

Republican Tax Plan Approved

After Governor Laura Kelly presented her tax plan on the first day of the legislative session, Republican leadership began crafting a counter proposal for her consideration. Negotiators from both the House and Senate Tax Committees finalized their conference committee report on [House Bill 2284](#) on Wednesday, sending it to the House and Senate floors for votes.

The Senate debated the bill on Wednesday afternoon before passing it by a vote of 25-11. One Republican Senator was absent, still leaving them one vote shy of overriding Governor Kelly's already-promised veto. The measure moved to the House on Thursday morning and passed by a vote of 81-37. With the few Republican House members gone for the vote, most are expecting a successful override in the House. The Senate is still uncertain.

If Kelly's veto is sustained, it's back to the drawing board for legislative leaders to come up with a plan B. One thing is certain, lawmakers from both the executive and legislative branches and on both sides of the aisle, are determined to pass tax cuts this year before they go home and start campaigning for their reelections.

The seven provisions contained in the Republican's tax proposal would do the following:

- Move to a single income tax rate of 5.25% starting in tax year 2025. The first \$6,150 for individuals and \$12,300 for married filers would be exempt.
- Exempt all Social Security income starting in tax year 2024.
- Exempt the first \$100,000 from the state's 20-mill property tax levy for schools starting in tax year 2024.
- Raise the standard deduction based on inflation increases starting in tax year 2024.

- Increase by \$50 the personal tax exemption of \$2,250 starting in tax year 2024. The exemption would increase annually based on inflation starting in tax year 2025.
- Fully eliminate the sales tax on groceries starting on April 1, 2024.
- Reduce the privilege tax rate for banks from 4.37% to 3.75%, and for trusts and savings and loans from 4.5% to 3.85%. Since banks don't pay corporate taxes, they could not take advantage of the corporate tax rate reduction passed in 2023.

Chamber Workforce Study Presented

The Kansas Chamber presented the results from their most recent [CEO poll](#) to the House Commerce Committee on Tuesday. A third-party research firm surveyed 300 business owners across the state last year. Not all of them are members of the Kansas Chamber.

Since they started their CEO polling 16 years ago, taxes have been the number one concern every year except one – specifically property taxes. Workforce challenges, high fuel costs, healthcare spikes, and burdensome regulations are also among the top issues for business owners.

It was reported that more and more companies since the pandemic are shrinking the number of employees rather than growing them. Of the 64% of respondents that said they are optimistic about the future, only 26% say that they plan on adding more to their workforce in the coming year.

This data will be important as legislators continue to try and find solutions to attract both businesses and workers to the state.

Budget Review

It was also another short week for budget committees. The House Appropriations held more informational meetings, and the Senate Ways and Means Committee began their budget subcommittee meetings.

The House budget committee heard from the Kansas Geological Survey and the Kansas Corporation Commission. The chairman stated that House budget subcommittees will begin reporting their findings to the full body next week. He hopes to have most of the budget reports done by March 1.

The Senate budget committee heard from the Board of Indigent Defense Services and KPERS. KPERS, which is the State's retirement fund, reported that their original pessimistic earnings report has improved, and their investment portfolio is doing well right now. The Senate also plans to begin hearing their budget subcommittees recommendation soon. Legislative leaders want to complete their budget work as quickly as possible this year, rather than saving the bulk of it until after April.

Both budget committees have full agendas slated for next week.

Next Week

Several committee meetings are scheduled for next week including briefings on the World Cup, Unemployment Compensation Insurance proposed reforms, continued reviews of the 2022 economic development incentives and a hearing on HB 2446 the Plastic Bag Ban. Also, leadership will be awaiting action by the Governor on the tax package while they continue to whip votes for a likely veto override.