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Kansas Legislative Report, March 11-15, 2024

The Senate debated and passed their [budget bill](#) this week, signaling that the end of the 2024 Kansas Legislative Session is nearing. As important deadlines loom, committees were busy hearing and working bills – many with three to four hearings a day. They have one more week to complete their work before March 22 when all non-exempt committees are done meeting for the year.

Senate Republicans Pass Another Single Rate Tax Bill

The Senate debated and passed ten tax bills yesterday before adjourning late in the evening. Most notable was [Senate Bill 539](#), which is the Republican's second attempt at a single income tax rate after Governor Laura Kelly vetoed [House Bill 2284](#) earlier this year. The bill passed by a supermajority vote of 29-11.

The new proposal would institute a single 5.7% income tax rate on all taxpayers for the current tax year, then gradually decrease each year until it reaches 5.4% starting in 2029. HB 2284 would have established a single rate of 5.25% starting in 2025. Opponents, including the Governor, have consistently said a single rate will disproportionately hurt lower income Kansans.

Several floor amendments were added that increased the fiscal note of the bill to \$1.7 billion, including a childcare tax credit for children up to four years old; starting the 0% sales tax on food earlier on July 1, 2024; and increasing the property tax exemption from the statewide school levy to \$100,000 as originally proposed in HB 2284.

Despite SB 539 passing with a supermajority vote of 29-11, most Senators don't believe this will be the final product sent to Governor Kelly's desk. The House has yet to build their own tax bill or make changes to SB 539 when it's sent over to their chamber. The final details will ultimately be negotiated in conference committee. If the bill still contains a single income tax rate, the Governor is expected to issue another veto and call the legislature back to Topeka for a special session if they fail to override her.

Property Tax Bills Advance

The Senate passed [Senate Bill 311](#) by a vote of 21-19 this week, a bill that would prohibit the sale price of property from being considered an indicator of fair market value for property tax purposes. Those exclusions include IRS 1031 exchange transactions, build-to-suit transactions, or sale/leaseback arrangements. The bill would also exclude

such exchanges, transactions, and arrangements from being considered valid sales for purposes of the sales ratio study used for measuring tax appraisal accuracy.

SB 311 is a bill from 2023 that passed the Senate Tax Committee, keeping it alive for this year.

[Senate Bill 468](#) passed out of the Senate Assessment and Taxation Committee this week. The bill will disallow a local government to exceed the revenue neutral rate if tax abatement or an IRB is approved in that calendar year. The Senate Committee removed TIF districts from the bill, but local communities, business and economic developers have expressed concerns if the bill were to pass. We are uncertain if the bill will be debated on the Senate floor.

Economic Development

The Senate Commerce Committee held a hearing this week on [House Bill 2387](#) which proposes the funding for STAR bond districts that has been lost due to the food sales tax reductions. The bill also authorizes as eligible STAR bond projects the renovation and construction costs for historic theaters and major amusement parks & rides as well increasing the financing limit for pay-as-you-go funding for rural redevelopment projects. Proponents included the KS Department of Commerce and communities with existing STAR bond districts looking to secure the loss revenue due to the food sales tax, which for the past two years has been addressed as a proviso in the budget bill.

The Senate Assessment and Taxation Committee is scheduled to have hearing on [Senate Bill 546](#) next week which decreases the corporate income tax rate but discontinues the tax credits for the high performance incentive program (HPIP) and payroll withholding tax benefits of the promoting employment across Kansas act (PEAK) and repeals several unused tax credits.

Sales Tax Exemptions for Charitable Organizations

The House Taxation Committee passed out [House Bill 2685](#) which established a broad a sales tax exemption for all charitable organizations registered with the Internal Revenue Service as a 501 (c)(3) and are exempt from paying income tax. The bill has an estimated fiscal note of \$34 million. The bill is to address the multiple annual requests from nonprofits seeking sales tax exemption. The bill is on House General Orders but it is uncertain if it will be worked.

Childcare Hearings

The House Commerce Committee heard two bills this week concerning childcare. On Monday, the committee wrapped up the hearing on [House Bill 2785](#), which proposes to transfer certain childcare programs to the Kansas office of early childhood and separating licensing duties between the secretary of KDHE and the executive director of early childhood, a newly created position. On Thursday, the committee also held a hearing on [House Sub for Senate Bill 96](#), that establishing child care licensing requirements around capacity and staff-to-child ratios, as well as reducing license fees and training requirements, which was vetoed by the Governor last session. The committee also received a status update from the AG's office on the newly proposed KDHE regulations on childcare which are still under consideration. Chairman Tarwater indicated there will be an effort to combine the two bills on Thursday, March 21.

Property Tax Constitutional Amendments

Two constitutional amendments will be heard in the House Taxation Committee next week. These bills are to address concerns about the steep increase in property tax assessments over the past few years. [House Concurrent Resolution 5025](#) would allow for an averaging of the prior 10 years of property tax valuations. [Senate Concurrent Resolution 1611](#) has passed the Senate and would cap property taxes at 4% per year.

Three Foreign Land Ownership Bills Advance

This week, House committees acted on three bills all addressing different national security threats from foreign adversaries. They were all amended and inserted into Senate shells and will be debated by the full chamber in the coming weeks.

[House Substitute for Senate Bill 172](#) creates the Kansas Land and Military Installation Protection Act. The new law would prohibit countries of concern's agents, residents, and citizens from acquiring any interest in nonresidential real property located within 150 miles of any military installation in Kansas or an adjacent state. The bill would provide a *de minimis* interest exception; would not apply to transactions approved by the Committee of Foreign Investment in the United States (CFIUS); or foreign principals with a national security agreement with CFIUS or the U.S. Department of Defense.

The amendments made by the House Commerce Committee resolved strong concern from the agricultural industry wanting to protect companies currently established and operating in the state that benefit Kansas farmers.

[House Substitute for Senate Bill 271](#) would prohibit government agencies from purchasing, acquiring, or using drones or related services and equipment whose critical components were produced in a country of concern, or who's critical components were produced or owned by a foreign principal.

The House Commerce Committee updated the drone definition to only include unmanned aircraft, as well as created a fund to reimburse agencies who must transfer current drones and purchase new ones that comply with the bill.

[House Substitute for Senate Bill 37](#) would create the Countries of Concern Divestment and Procurement Protection Act. The bill would require state-managed funds' divestment from investments with countries of concern; prohibit investments and deposits with a bank or company domiciled in a country of concern; prohibit state agencies from procuring final or finished goods or services from a foreign principal; and would indemnify state-managed funds with respect to actions taken in compliance with the law.

The House Financial Institutions and Pensions Committee amended the bill to address concerns raised by the Kansas Public Employee Retirement System (KPERs), as well as fixed language that would have prevented the state from purchasing Kansas produced pork from Smithfield Foods.

Medicaid Expansion Hearings Next Week

Medicaid expansion has been Governor Laura Kelly's number one issue since she first took office in 2019, but the last year has been her strongest push to date. Not heard since 2020, legislative leadership announced that they will finally hold hearings on the issue next week.

Next Wednesday, [House Bill 2556](#) will be heard by the House Health and Human Services Committee, whose chairwoman has been one of the strongest and most vocal opponents to Medicaid expansion. There will also be an informational hearing held by a joint Senate Ways and Means and Senate Health Committee in the afternoon.

Progress on State Budget Continues

The Senate completed their first round of budget debates on Wednesday, before passing the bill out on Thursday by a vote of 24-15. Funding for the 2026 World Cup events in Kansas City was attacked by some Senators, but efforts to majorly cut that funding were defeated.

In the House Budget Committee, they reviewed the Build Kansas initiative which is a \$200 million infrastructure and economic development program that started last year. The program is allowed to issue \$50 million a year for the next four years. The committee also finalized their budget bill which is ready for debate by the full chamber next week. Moving parts in the budget process continue to shift, especially as tax bills are passed.