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Kansas Legislative Report, April 1-6, 2024

The Kansas Legislature adjourned the regular part of the 2024 Legislative Session around 2:30am Saturday morning after voting to suspend the midnight rule and continue their work. Before leaving for their three-week spring break, lawmakers spent several long days and nights in conference committees and on the floor approving bills to send to the Governor's desk.

The key to first adjournment, however, is always passing a budget bill. When legislators return for Veto Session on April 29, they will have received the April Consensus Revenue Estimating Group's new projections and can make adjustments in the "omnibus" budget at that time. Sine Die has been set for April 30, leaving only two days for veto overrides and to wrap-up outstanding conference committee reports.

It's safe to say that taxes dominated the headlines this week, in what looked like a game of political chess between the House and Senate. Below is a recap, in addition to where several other key issues stand as of now.

Legislature Passes Tax Cuts for Kansans

Shortly before adjourning on Saturday morning, the legislature approved the fifth version of a mega tax cut bill that is now on its way to Governor Kelly's desk. It was not before several unexpected twists and turns throughout the week, however.

The session-long battle has been between Republican leadership's desire to move to a single-rate income tax vs. the current three-bracket system supported by the Governor. [House Bill 2036](#) landed in between at a two-tier structure with the bottom rate eliminated.

The House and Senate Tax Conference Committee began meeting on Monday to negotiate between strong positions held by both chambers coming into the final week of session. On Wednesday, they agreed on what looked like to be something Governor Kelly would sign, despite critics on both sides of the isle calling it tax relief for only the rich. That plan passed the Senate near unanimously but was rejected by the House and sent back to conference committee on Thursday.

The final agreement passed on Saturday does the following:

- Lowers the top income tax rate from 5.7% to 5.55% for single filers earning up to \$23,000; lowers the second rate from 5.25% to 5.15% for single filers earning up to \$15,000; and eliminates the bottom bracket.
- Fully eliminates the income tax on social security benefits.
- Accelerates the full elimination of the sales tax on food to July 1, 2024.
- Reduces the statewide school levy from 20 mills to 19.5 mills.
- Increases the residential property tax exemption from the mill rate from \$42,000 to \$100,000.
- Increases the personal tax exemption for single filers from \$2,250 to \$9,160, and \$2,320 for dependents.
- Increases the standard deduction by 3%, making it \$3,605 for single filers.
- Abolishes the Local Ad Valorem Tax Reduction and County and City Revenue Sharing Funds.

Despite the House passing the bill unanimously and the Senate 24-9, it appears no one is 100% thrilled with the final proposal. However, it allows legislators go home to their constituents with a vote on tax cuts in an important election year.

HB 2036 is estimated to cost the state roughly \$1.55 billion over three years. Governor Kelly has publicly asked for a lower fiscal note, so it's unclear to many whether she will sign it and whether the legislature can override her if she does.

Agreement Reached on Other Tax Packages

The Tax Conference Committee assembled four other tax packages this week, each bundling several tax policy items together into conference committee reports. Three of the four were approved by the legislature and are headed to Governor Kelly's desk.

[Senate Bill 410](#) is a package of non-controversial changes to current law, dealing mainly with **income and property taxes**. It would make necessary changes to the SALT Parity Act, provide for subtraction modifications for certain net operating losses, modify the disallowed business interest deduction, reduce penalties for late remittance of withholding taxes, and extend the single city port authority income tax credit. It would equalize the property tax exemption for electric generation facilities, codify property valuation adjustments related to adverse influences affecting agricultural land, and specify land classification related to agritourism.

[House Bill 2098](#) grants **sales tax exemptions** for telecommunications machinery and equipment, custom meat processing services, and purchases made by several non-profit entities in Kansas. It also creates a sales tax deduction for certain motor vehicle transactions and allows manufacturer's coupons to be excluded from sales price for sales tax purposes.

[Senate Bill 2465](#) increases the state **adoption tax credit** from 25% to 100% of the federal adoption tax credit amount. It also provides a tax credit for contributions made to pregnancy resource centers and residential maternity facilities, as well as grants sales tax exemptions for purchases made by those entities.

[House Bill 2096](#), however, was rejected by the House for combining **property tax** cuts for veterans and seniors with two controversial provisions that are not popular with both legislators and the administration. That bill was sent back to the conference committee for possible reconsideration during the veto session.

One of those provisions is a property tax exemption for businesses that directly compete against government entities. The issue stems back years when the owner of Genesis Health Clubs unsuccessfully pushed for legislation that would equalize their tax treatment with non-profit YMCAs. The other contentious bill included in HB 2096 would clarify how large, big-box stores can be appraised. This issue some call “dark store theory” is currently being litigated and is another piece of the package that Governor Kelly would likely not support.

Bills Headed to Governor’s Desk

Here are a few other bills we were watching that passed the Legislature this week and are on their way to the Governor:

Energy Generation: [House Bill 2527](#) allows a cost recovery mechanism for new natural gas generation facilities; sets requirements of the Kansas Corporation Commission to close nuclear and coal plants; and expands capability to connect residential solar generation to the electric grid.

Workers Compensation: [Senate Bill 430](#) increases lifetime benefit maximums and modernizes elements of the administrative process of the workers compensation system.

Unemployment Insurance: [House Bill 2570](#) cuts the unemployment insurance tax rate and increasing the weeks of temporary benefits.

Foreign Adversary Drones: [Senate Bill 271](#) prohibits government agencies from purchasing drones whose critical components were produced in a country of concern, or whose critical components were produced or owned by a foreign principal.

Travel, Tourism and Economic Development: [Senate Bill 467](#) increases the membership appointed by the governor on the council on travel and tourism, makes permanent the Star Bonds Food Sales Tax Replacement Fund and allowing STAR bonds project for historic theaters.

Kansas Microbreweries: [HB 2124](#) allows microbreweries the right for direct sales.

Budget Bill Passes

[Senate Bill 28](#) passed the legislature before adjournment and includes a budget for FY 2025 of \$25 billion, including \$10.4 billion for the State General Fund (SGF). Overall funding is slightly lower than last year. Legislators will consider an Omnibus budget during Veto Session. Key items in SB 28 include:

- \$10.0 million for small town infrastructure assistance grants to support technical assistance and drinking water and sewer system upgrades for towns with populations less than 1,000.

- \$36.0 million to continue the development of Maintenance, Repair, and Overhaul of airplanes at the airports in Salina (\$35.0 million with a \$1 for \$1 match) and Topeka (\$1.0 million).
- \$48.3 million, including \$18.6 million SGF, to increase the average reimbursement rate for agency-directed personal care services on the Frail Elderly (FE) waiver to \$30 per hour.
- \$45.8 million, including \$17.8 million SGF, to add 500 slots each to the I/DD (Intellectual & developmental disabilities) waiver and the PD (physical disability) waiver.
- \$75.0 million SGF to construct a new cancer research facility at the University of Kansas Medical Center.
- \$25.0 million SGF for a state match for the Kansas State University (KSU) Ag Innovation Initiative.
- \$10.0 million SGF for the Career Campus match for the Lansing Correctional Facility.
- \$5.0 million, all from the Public Use General Aviation Airport Development Fund, to increase support for the Kansas Airport Improvement Program for grants to airports to maintain runways and facilities. This is financed by a transfer from the State Highway Fund.
- \$18.0 million, all from federal ARPA funds, for the 2026 World Cup games for FY 2026.

State General Fund spending over the next three years is projected to increase from \$10.3 billion to \$10.8 billion. Ending balances are projected to remain positive for the foreseeable future, with the ending balance in FY 27 projected to be \$1.7 billion.

Additional Items for Veto Session

Here are a few bill that are expected to have additional debate during Veto Session.

Childcare: [Senate Bill 96](#) establishes and update law regulating child care centers and child care homes, establishes the Kansas Office of Early Childhood, modify license capacity and staff-to-child ratios, and establish staffing requirements, including professional development training. The conference committee report passed the House and is awaiting action in the Senate.

Education Budget: [Senate Bill 387](#) provides for funding for K-12 education. The first bill was sent back to committee that required money from other specific weightings to be used for special education. The conference committee met and agreed upon a second bill. The bill is awaiting action during Veto Session.

Driver's License: [Senate Bill 500](#) provides for restricted driving privileges for certain individuals that fail to comply with a traffic citations and authorizes certain individuals with revoked driving privileges to be eligible for restricted driving privileges. The conference committee report passed the House and is awaiting action by the Senate.

Third Party Litigation: [House Bill 2070](#) authorizes a party to obtain discovery of the existence and content of an agreement for third-party funding of litigation under the

code of civil procedure. The bill was agreed to and is awaiting action during Veto Session.

Foreign Land: [Senate Bill 172](#) restricts the purchase of land by foreign adversaries within 100 miles of a military installation. The bill passed the House but was sent back to conference committee for further consideration by the Senate.

Film Tax Credit: [House Bill 2097](#) enacts the Kansas Film and Digital Media Production Development Act (Act), which would create nonrefundable income tax credits and a sales tax exemption for qualifying film production activities to incentivize and promote the growth of film and digital media production and industry in Kansas. The bill was agreed to and is awaiting action during Veto Session.