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Veto Session Wrap-up

Lawmakers officially adjourned the 2024 Kansas Legislative Session just past midnight on Wednesday morning. The three-day veto session included successfully overriding several of Governor Kelly's vetoes, passing the omnibus budget, and finishing a few remaining conference committee reports. Several legislators also gave their goodbye speeches to their colleagues this week. Some are not seeking reelection for another term, but many are House members giving up their seat to run for the Senate.

While Wednesday marked day 89 of the session, it appears that the legislature's work may not be done for the year. The Governor has already announced she intends to veto the latest income tax cut bill passed and call legislators back to Topeka in the next few weeks for a special session.

Battle Over Tax Cuts Continues

While the House was successful last Friday in overriding Governor Kelly's veto of the mega income tax cut bill, the Senate fell one vote short on Monday with a vote of [26-14](#). All Democrats and three Republicans voted to sustain her veto, saying the price tag was unsustainable in the out years and would strain the state budget.

On Tuesday, the House and Senate Tax Conference Committee met quickly to assemble their sixth tax plan this year. [Senate Bill 37](#) still moved Kansas to a two-tier income tax bracket – which Kelly has strongly opposed from the beginning – but increases the lower tax bracket from 5.15% in the vetoed bill to 5.2% and top bracket from 5.55% to 5.57%. It also increases the standard deduction for single filers from \$3,605 in the vetoed bill to \$4,000 and from \$8,240 to \$9,000 for joint filers. The other provisions that Governor Kelly does support remained the same, including eliminating the income tax on social security income, accelerating the elimination of the food sales tax to July 1, 2024, and across the board property tax relief.

Kelly's staff announced on Tuesday the Governor will veto SB 37 and call legislators back to Topeka for a special session to pass a tax cut bill to her liking. This left lawmakers extremely frustrated on Tuesday before going home to their constituents without possibly providing tax relief, especially during an election year.

Legislature Overrides Ten Vetoes

The legislature took 14 veto override votes and successfully received the two-thirds majority needed on 10 of them. Below highlights two of those bills that now automatically become state law:

The House voted 87-38 and the Senate 27-12 to override Governor Kelly's veto of [House Bill 2648](#). The bill is modeled after Wisconsin's Regulations from the Executive in Need of Scrutiny (REINS) Act and is intended to **give the legislature more oversight over the promulgation of rules and regulations** by the executive branch and prevent overreach past legislative intent. If adoption of a rule or regulation is determined to cost more than \$1 million over the first five years, the state agency must pass a bill through the legislature instead. HB 2648 also gives the Budget Director authority to reject any agency's economic impact statement if it is found to be incomplete.

The House voted 99-20 and the Senate 37-0 to override the Governor's veto of [House Bill 2098](#). The bill grants \$35 million in **sales tax exemptions** for disabled veterans, on 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.

Other Bills Heading to Governor

Below are a few of the other conference committee reports that passed this week and are heading to the Governor's desk:

[House Bill 2096](#) – Property Tax Relief

The bill provides targeted property tax relief for veterans and seniors and creates a property tax rebate program for private health clubs, restaurants and daycares that are within five miles of a competing government entity. The bill also provides a property tax exemption for certain personal property, limits transactions that can be considered valid sales for property tax purposes, modifies law related to property valuation notices and appeals, and increases the tax credit for household and dependent care expenses.

[Senate Bill 172](#) – Foreign Land Ownership

The bill would prohibit foreign principals from countries of concern from acquiring any interest in non-residential real property located within 100 miles of the boundary of any military installation located in Kansas or an adjacent state. The bill exempts transactions already approved by the Committee of Foreign Investment in the United States (CFIUS); and foreign principals who hold a national security agreement with CFIUS or the U.S. Department of Defense.

[House Bill 2097](#) –Film Tax Credit

The bill 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.

Senate Bill 500 –Driver’s License

The bill provides for restricted driving privileges for certain individuals that fail to comply with a traffic citation and authorizes certain individuals with revoked driving privileges to be eligible for restricted driving privileges.

Senate Bill 387 – Education Budget

The Education budget approved allocates \$6.6 billion for public education, including \$4.9 billion from the state general fund. The budget includes \$75 million for special education and a total of \$303 million in new money for schools. The bill amends the law governing school district state aid and the local option budget to require school districts to transfer a portion of their local option budget fund to the district’s special education fund. The amount would be proportionally equal to the amount of the school district’s total foundation aid that is attributable to the special education weighting.

Bills Not Advancing

Senate Bill 2663 – STAR Bonds for Professional Sports Team

The bill would allow for a STAR Bonds district for a major professional sports team, NBA, NFL, MLB, or NHL. The bill would require a \$2 billion investment and allows for a 30-year bond.

Senate Bill 467 – Travel and Tourism Council, STAR Bonds Food Sales Tax Replacement Fund

The bill would increase the membership appointed by the governor on the Council of Travel and Tourism and make permanent the STAR Bonds Food Sales Tax Replacement Fund.

Senate Bill 96 – Childcare

The bill would establish, and update law regulating childcare centers and childcare 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 tax credits were included in the global tax bill, SB 37 passed the last day of Veto Session.

House Bill 2070 –Third Party Litigation

The bill would authorize 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.

House Bill 2450 - Data Centers

A bill exempting data centers from state and local sales taxes for at least 30 years and possibly indefinitely did not pass this session. The proposed tax incentives advanced out of committees in both the House and Senate but idled on general orders in the Senate who did not take any action during the veto session.

Senate Bill 355 - Medicaid Expansion

During the veto session, there was an effort in the Senate to withdraw a Medicaid expansion bill out of committee but it failed on an [18-17](#) vote. During regular session,

the House health committee voted down an attempt to move a bill out of committee that would have expanded Medicaid. Also, the House health committee and a joint Senate panel of the Ways and Means and health committees held informational hearings on Medicaid expansion for the first time in years. However, no expansion bill advanced out of committee. This issue remains a top priority for Governor Kelly.

Senate Bill 135 - Medical Marijuana

There was an effort during the veto session to withdraw a medical marijuana bill out of committee but it failed on a [12-25](#) vote. Earlier in the Session, a Senate committee tabled the latest variation of an attempt to legalize medical marijuana, portrayed as more restrictive and conservative legalization than previous versions. However, senators did not see the bill as very limiting.