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Legislators spent their second full week of Veto Session attempting to work out the tax plan quandary. Saturday will be the 90th day of session, technically and legislators are planning to return Monday for another week of work prior to Memorial Day weekend. All secretarial staff for the Legislature worked their final day today and after Monday, the 90th day, legislators will be on overtime costing the state additional money each day they meet. Below is a quick recap of what work was accomplished this week.

Taxes

Both chambers continue to look for a revenue plan that has enough votes to pass. There was little discussion on the appropriations bill, which remains in a House-Senate conference committee who is waiting to learn just how much money can be raised in tax revenue. The goal is to find \$400 million in new tax revenue to fill the current budget hole and give an ending balance for the upcoming fiscal year between \$70 to \$100 million. However, legislators are finding it difficult to agree on any tax plan in either tax committee. Both Tax Committee Chairs said they would be happy with a motion to forward a tax bill without a committee recommendation to get a bill to the floor for discussion and debate.

The House Tax Committee sent a revenue bill authored by Reps. Hedke and Kasha Kelly to the House floor which was debated today. The bill raises \$350 million but only creates minimal \$16.3 million ending balance for FY 16. It passed out of the House committee without a committee recommendation but is politically charged and designed to avoid making any changes to the Governor's tax plan that was passed in 2012. Specifically, it increases the sales tax from 6.1% to 6.85% while dropping the sales tax on grocery store food from 6.1% to 5.9%, pares itemized income tax deductions by \$97 million, enacts the delinquent income tax amnesty program that is expected to produce \$30 million in new revenues, and drops the bottom income tax rate from 2.7% to 2.55%.

During House debate today, only technical amendments were adopted. The bill did not advance to be passed but remains on General Orders and could be used a vehicle at a later date. It became very clear the body is nowhere close to a tax agreement and the House Tax Committee will begin from scratch on Monday.

In addition to the Hedke/Kelly plan, the House Tax Committee also sent to the full House, a bill that will eliminate the zero-income tax status of thousands of LLCs, small corporations and owner-operated businesses. The bill, which would raise \$133 million toward a \$406 million revenue shortfall for the coming fiscal year, is the first substantial effort to balance the budget with a stab at Governor Brownback's recent tax cuts promised to spur the Kansas economy. The bill is a trimmed-down version of a broader, more complicated

corporate and small business income tax plan, and it would tax rents and royalties at 4.6% and other business income at 2.7%. It passed out of committee on a 13-8 vote.

On the other side of the Statehouse, Senators failed to advance a tax bill to the Senate floor, and no vote was taken on a bill after an hour of debate in the Senate Tax Committee. The committee sorted through a number of tax proposals. Sen. Jeff Melcher proposed imposing a new excise tax on land by imposing a \$3 per acre tax on land. Sen. Melcher has touted similar proposals this session that would make the agriculture industry contribute more to state coffers. This current proposal generates about \$150 million. Rural legislators oppose this proposal and rejected the proposal by a vote of 4-7. In addition, the committee rejected a proposal to increase liquor taxes. Finally, another proposal was introduced to end the sales tax exemption on farm machinery and equipment but failed as well. One of the few proposals adopted was the elimination of the repeal of an exemption shielding the first \$20,000 of a home's value from a statewide school mill levy. However, striking the repeal from the bill eliminated \$43 million of potential revenue. The Senate Chairman grew very frustrated on Thursday and abruptly adjourned the committee without passing out a Senate tax bill this week. The Senate Tax Committee is scheduled to meet on Monday as well to continue their work on crafting a tax plan as well.

Elections

In other legislative news, the Senate approved on a vote of 22-13 and sent to the House for a vote the bill that moves traditional spring local elections for non-state offices to the fall of odd-numbered years. The measure retains those local office elections as nonpartisan except if local governments designate them as partisan. The measure also eliminates presidential preference primaries in the state and prevents primary-elected party candidates from resigning those candidacies save for moving out of state or health issues. The bill no longer includes a Senate-added provision that would require bond issue and local tax increase referenda to be presented only at regularly scheduled elections. Some senators maintain that tax increase and bond issue elections are now often held at irregular times, essentially narrowing the voting base to supporters of those tax measures. House members said the bill would be taken up next week, but there is still question whether the bill will garner enough votes in the House.

Slots at Tracks

Senate debated S Sub HB 2074 on a Thursday, which proposes to allow slots at the tracks by a vote of 24-12. Currently, only gaming facilities are allowed to have slots, but track owners have lobbied for years to expand slots to their facilities so they can both compete with the casinos and secure enough revenue to remain in business. Proponents of the bill argued allowing the slots will attract more people to visit Kansas and bring in additional revenue for the state while opponents cautioned passing the measure puts Kansas contracts with existing gaming facilities at risk for lawsuits because it changes the gaming landscape set out in their contracts. The bill now advances to the House for final action where it is uncertain if the votes are there to pass the measure.

Liquor

Senate advanced two liquor bills on Thursday. HB 2331 authorize liquor to be dispensed at catered events on public property, authorizes issuance of multiple permits for wine and beer to be sold Kansas State Fair Grounds and permits for sale of wine at Farmers Markets as well as create a new exception for customer self-service of wine from automated devices

and allow consumption of alcohol on the premises of the State Capitol Building or its surrounding premises during an official state function approved by the LCC. The bill passed the Senate by a vote of 31-5. HB 2223 passed 37-1 and allows for the sale of infused alcohol, outlines additional measures for those entitled to obtain liquor license and authorizes samplings at industry events without the need of a license. The measures now advance to the House for their consideration.

Uber

Thursday evening legislators announced an agreement with Uber, the Governor's Office and the banking industry. The Senate and House Insurance Committee Chairmen said under the agreement, Uber and other ride-hailing companies would be allowed to do third-party background checks on their subcontracted drivers but, they would face possible lawsuits from the state attorney general if drivers were found to be operating with a criminal background. They also agreed to less restrictive provisions from the banking industry. A conference committee on the agreement has been signed and is expected to run next week.

Next week

Legislators will return Monday to continue their work. Since the tax plan did not pass the House today, both chambers will come back next week to see if a package can be put together that will garner the 63-21 votes needed. In addition, the budget still needs to be finalized. Without an approved budget and a tax plan to help fund the shortfalls the session cannot be adjourned.