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The second week of Veto Session saw wrangling over an energy bill, Uber, and tax bills. It was a busy week as legislators head home for Mother's Day weekend and return Monday for the third week of Veto Session.

On Thursday, the Senate Tax Committee sent a single pared-down tax bill to the full Senate in hopes it picks up revenue-raising amendments in debate next week on the floor of the Senate. Committee Chair **Les Donovan** had hoped to assemble in committee several tax-raising bills into a mega bill to send to the Senate for debate, but his committee wouldn't go that way. Instead, he got approved a trimmed-down revenue-raising bill proposed by Gov. **Brownback**, which provides amnesty from penalties and interest for those who pay delinquent taxes this fall. The bill is expected to generate about \$30 million in back-tax payments for the state while saving taxpayers penalties and interest on overdue taxes.

The committee pared away the Governor's provisions establishing a budget protection fund and another fund that could be used for tax cuts in the future. Committee members said that the funds were assembled in a way that gave the governor too much authority over using that pot of money. Earlier in the week the Senate Tax Committee also rejected a plan that would increase the state sales tax to 6.3% and the Governor's proposal to increase tobacco and liquor taxes.

On the other side of the Capitol, the House Tax Committee was told that its bill that would subject so-called "pass-through" income to Kansas income taxation would raise \$232 million in the upcoming fiscal year and \$176 million in Fiscal Year 2017. The bill is a major revamp of the 2012 tax cut bill that virtually eliminated income taxes for LLCs and some corporations with the hope that the tax exemption would spur economic development, jobs, and more taxable "discretionary" spending in the state.

The House's measure, HB 2430, would eliminate the "no tax" policy on income for businesses without at least one full-time employee and reaches into "passive" income, such as rents, for revenues. The House this week also looked at a proposal to raise the statewide sales tax from 6.15% to 6.5% as well as a 5 cent fuel tax increase and new 5 cent sales tax on dyed diesel (used in machinery) fuel tax. However, there were no proponents for any of the bills. No action was taken on any House tax bills, but look for continued debate on this issue next week.

On Wednesday, House Commerce Committee passed out a new Uncorked Kansas bill, House Sub. for 2200, which would allow for a county by county determination if liquor should be sold in grocery or convenient stores. For several years Uncorked Kansas advocates have battled liquor store owners over whether liquor sales should be expanded, but have been unsuccessful in getting statewide expansion authority. However, allowing county by county decision making authority was successful

for Sunday liquor sales so Uncorked advocates are hopeful it will work for liquor sales expansion. The bill is likely to be debated next week when the House is expected to go on General Orders.

On Thursday, for the first time on General Orders in over a month, the House adopted a plan that would make the state's 5-year-old Renewable Portfolio Standard (RPS) a voluntary goal in return for eternal property tax exemption for windmills put into service by Dec. 31, 2016, and 10-year property tax exemptions for wind or other renewable generating facilities. It passed 107-11. The concept of that 20% renewable power source for Kansas utilities, which the House had defended against attack for the past three years, was first tied to potential property taxes this session, and the wind energy industry bought the deal that makes the RPS voluntary in return for limits on future taxes of the industry. The RPS is the percentage of power that utilities now are required to have by 2020, and it is believed that most Kansas utilities will be at that percentage by this year or next. The bill is expected to be approved easily by the Senate.

Also on Thursday, the Legislature sent to the Governor Sen. Sub. for HB 2155, the Charitable Raffle bill, which creates the Kansas Charitable Gaming Act and includes changes to the Bingo Act and regulation for the recently approved charitable raffles. The bill also makes participation in fantasy sports leagues legal by including such sports leagues in the list of exceptions to the definition of what constitutes an illegal bet.

The House failed to adopt a conference committee report on HB 2165, which became controversial over a provision which would have required county approval of any city's unilateral annexation of property. The League of Municipalities did not like the county oversight and some developers argued this could increase the cost of development due to the additional step of approval. Property right advocates argued it provided additional protections for the land owners who were often taken advantage of by the Cities. A motion to reconsider the vote that killed the bill was attempted on Thursday, but it also failed. We expect the other provisions in the bill to be revived and placed into a new bill that can be considered separately.

Finally, this week the Senate, 35-4, and the House, 96-25, without a single question from the floor, overrode the Governor's veto of the so-called "Uber" bill which placed insurance and security provisions on the Internet-fueled ride-sharing service. The governor vetoed the bill last month, saying that its provisions for regulations, insurance and security vetting of its part-time drivers of the taxi-type service were too complicated to encourage the innovative industry. It is the first override of a Brownback veto since he took office in January 2011. With the veto overridden, the bill will become law, but there is talk of a trailer bill that would make changes in the security checks for drivers so they are basically criminal history records searches. Since the veto, Uber, the biggest such taxi-style business, expanded into more cities in Kansas, and has continually threatened to stop doing business in Kansas if it is much inconvenienced by the state.

Next week legislators will return on Monday to continue their work. The 90<sup>th</sup> day of session is next Saturday, May 16. Any additional days past the 16<sup>th</sup> are deemed overtime and will begin to cost the state additional money. If a tax package can be put together early next week it is possible for the Legislature to adjourn timely. However, if a package does not come together Legislators could be in for several more weeks of debate.