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## February 3, 2017 Legislative Update

It was mostly about taxes this week in the Kansas Legislature. The House Taxation committee held daily hearings on various provisions, while the Senate introduced their comprehensive tax plan yesterday. With a better idea where lawmakers are falling in regards to raising taxes, in addition to a three-month stretch of higher than expected state revenues, appropriators seem ready to begin the real work on the Governor's fiscal year 2017 rescission bill and biannual budget for fiscal years 2018 and 2019. The state is facing a \$350 million shortfall in fiscal year 2017 and \$1.1 billion shortfall over the next two and half years.

### Tax Plans

The House Taxation committee heard testimony on several tax proposals currently on the table this legislative session. Eliminating certain sales tax exemptions was on Monday, the Governor's liquor and tobacco tax increase was on Tuesday, and taxes on fuel and retirement income was on Wednesday. The committee also held a hearing on **House Bill 2178** on Thursday, which raises the personal income tax rate from 4.6% to 5.25% on individual income over \$30,000 for married jointly filers and repeals the statutory growth trigger or "March to Zero" that further reduces corporate income tax rates in Kansas.

On Wednesday, a comprehensive plan was introduced in the House by Rise Up Kansas, a coalition of organizations fighting for the full repeal of the 2012 small business tax cuts. **House Bill 2237** also taxes business pass-through income, raises the motor fuels tax by 11 cents and reduces sales tax on food to 5%. The committee plans to hear the bill next week.

**Senate Bill 147** was introduced yesterday afternoon as the Senate's version of a tax package. The bill includes a full repeal of the 2012 LLC cuts with retroactivity to 2017, and increases personal income tax rates on both brackets. For joint filers, it would raise the rate from 2.7% to 3% on income under \$30,000 and from 4.6% to 4.9% on income over \$30,000. The bill is expected to raise \$430 million the first year. Senate President Susan Wagle (R-Wichita) expressed broad caucus support for the plan and would like to move quickly on the bill. A hearing has already been scheduled for Monday in the Senate Assessment and Taxation committee.

### Budget Status

On Wednesday, the Kansas Department of Revenue released its revenue report for the month of January. Total tax collections were \$543 million, up 4.59% from the Consensus Revenue Estimating (CRE) Group's estimates in November. The two largest categories were corporate income and sales tax receipts. Corporate income taxes were \$18.5 million or 131% above estimates, and sales tax receipts were \$216 million or 6.68% above projections. The CRE November estimates are on which the Governor bases his budget proposals.

Both the Senate Ways and Means and House Appropriations committees wrapped up their FY17 subcommittee budget reports this week and will begin receiving reports for FY18 and FY19 today. There was overall consensus with the Governor's FY17 recommendations, except for his proposal to freeze KPERS state contributions at FY 16 levels. Both committees have also held hearings on the \$317 million long-term investment fund liquidation, so work is expected to begin on the FY17 rescission bill early next week.

### Guns on Campus

**Senate Bill 53** was killed on a voice vote in the Senate Federal and State Affairs committee on Tuesday. The bill would have permanently exempted higher education and municipal buildings without adequate security (guards and metal detectors at every entrance) from allowing conceal carry beginning on July 1 of this year. There are several other gun bills currently in both Chambers, however, that could be amended on the floor.

### Campaign Contributions

The House Elections committee heard **House Bill 2011** on Wednesday, which would allow a candidate to receive contributions for the general election during the primary election period. This would double the contribution limits from \$500 to \$1,000 for House and local government races, from \$2,000 to \$4,000 for statewide races, and increase Senate and school board races from \$1,000 to \$2,500 per election period.

The general contribution could not be spent in the primary election period, and if the candidate then did not run for a general election, the contribution would be returned to the contributor. The Kansas Republican Party was the only conferee and proponent on the bill.

### Immigration Bills

Immigration bills are making their way back to the Statehouse this year. **Senate Bill 133** was introduced yesterday in the Senate Commerce committee. Named the Kansas Employee E-Verify Accountability Act, the bill would require state and local governments to actively participate in e-verify starting in 2018. The bill restricts state contracts for goods and services over \$50,000 from being awarded to any employer not using e-verify. No hearing date has been set.

In addition, two bills have been introduced in each Chamber on behalf of Secretary of State Kris Kobach. One measure – similar to a bill that stalled in the House last year – would bar cities and counties from adopting sanctuary policies. The second would require the Kansas Highway Patrol to enforce federal immigration laws, including detentions and removals.

### Looking Ahead

Medicaid expansion should be the hot topic next week. The House Health and Human Services Committee will hear testimony from neutral conferees on Monday, proponents on Wednesday, and opponents on Thursday. We expect to see the pace pick up in all committees as they only have two weeks left to meet and pass out bills before Turnaround on February 23.