



KANSAS LEGISLATIVE INSIGHTS NEWSLETTER | JUNE 19, 2024

SPECIAL SESSION PREP

The House and Senate tax committees were briefed Monday afternoon on the new compromise tax plan in preparation for the Special Session on June 18. There was frustration among the legislators over the process used to reach the agreement (with only the governor, Senate president and speaker of the House involved).

The House and Senate Commerce Committees used Monday afternoon to conduct an informational hearing on STAR bonds and sales tax incentives for the Chiefs and Royals to consider Kansas as a destination for a new stadium. Lawyers for the Chiefs and Royals testified in favor of the proposal and explained the benefits. The bill was supported by the Kansas Chamber and local chambers. Opponents expressed concern about the last-minute nature of this legislation and questioned the benefits of funding stadiums.

What is the STAR bonds program? STAR stands for Sales Tax and Revenue, which encourages economic development by using the sales tax and bonds to help pay for the construction and infrastructure of the development. These projects have included efforts to boost tourism, but many also include retail and restaurants to help secure adequate revenue to cash flow the bond payments. Examples include the Kansas Speedway, Sporting KC Stadium, the Legends, and Flint Hills Discovery Center in Manhattan, to name a few.

SB 1 TAX CUTS APPROVED

The Kansas Legislature passed the tax cut package in the provisions of SB 1, expected to deliver \$1.2 billion in tax cuts over three years and transitioning the State of Kansas to a two-tiered income tax structure. While the bill slashes income taxes and abolishes taxes on Social Security, it offers limited property tax relief, which has been a point of contention among critics. The bill also enhances the tax credit for child and dependent care. Governor Laura Kelly has agreed to sign the bill, citing its substantial relief and the preservation of funding for essential state services. The Senate voted 34-4 and the House voted 121-2 to pass SB 1.

Debate over the bill was marked by efforts to maintain its integrity, avoiding amendments that could derail the compromise reached with Gov. Kelly. Notably, a proposal to provide significant property tax rebates to disabled veterans was rejected to protect the bill's passage. In an effort to limit amendments, the Senate voted to end debate early, a move criticized by some as silencing alternative voices and ideas.

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The tax bill's passage represents a compromise between the need for fiscal sustainability and the demand for tax relief. It is less costly than a previously vetoed bill and is projected to leave the state with a healthy ending balance and rainy-day fund by 2028. The bill now goes to the governor, who has committed to sign this compromise when it reaches her desk.

WHAT'S IN THE TAX PACKAGE

The Kansas Legislative Research Department has provided an overview of provisions of SB 1. The elimination of the sales tax on food was not included because retailers didn't have time to make the necessary changes to implement by July 1. The food sales tax will be eliminated on January 1, 2025, as scheduled. These are the approved tax cuts and key provisions:

- A move from three tax brackets to two brackets
- New bracket rates of 5.2% (\$0-23,000 for single filers) and 5.58% (\$23,001+)
- Increased standard deduction to \$3,605/single, \$8,240/married-joint filers
- Increased personal exemption to \$9,160/single, \$18,320/married-joint filers
- Eliminated all income tax on Social Security
- Increased the household and dependent-care credit to 50% of the federal allowable amount (up from 25% currently)
- Amended the state privilege tax for financial institutions
- Property tax: Increases the residential exemption from the state 20 mills for education to \$75,000 (up from \$42,000); the bill also provides for a demand transfer from the State General Fund to backfill the lost revenue to K-12 education from this change in order to hold schools harmless
- Abolished the statutory Local Ad Valorem Tax Reduction Fund (LAVTRF); this has not been funded for many years
- Total cost of approximately \$1.232 billion over the next three years

HB 2001 PASSES USING STAR BONDS TO FINANCE STADIUMS

The one-day Special Session lasted nine hours. This afforded the Legislature the opportunity to approve HB 2001 to finance the construction of a professional sports stadium, potentially for the Chiefs and/or the Royals to attract them to move to Kansas. Gov. Kelly is expected to sign the legislation when it gets to her desk. This legislative action comes on the heels of Jackson County, Missouri, voters rejecting a sales tax renewal, prompting Kansas lawmakers to propose a bill targeting the franchises.

The bill's proponents argue for the economic and civic benefits of keeping the teams in Kansas. The revamped STAR bonds would cover 70% of stadium costs, with state sales taxes being the primary funding source unless local municipalities contribute. The Kansas Department of Commerce, after an independent financial assessment, and the state's Legislative Coordinating Council must approve the project within a year, with a possible extension for negotiations. Critics, however, raise concerns about transparency and the efficiency of the legislative process when influenced by wealth and business interests.

Fiscal conservatives question the return on investment for public funds in stadiums, citing studies that show negative outcomes. Despite these concerns, the bill passed with bipartisan support, reflecting a collective desire to transform Kansas into a sports and entertainment hub. The House passed the bill 84-38 and the Senate vote was 27-8. Included here is a summary of the legislation.

The next steps involve Gov. Kelly's formal approval and negotiations between the sports teams and the Kansas Department of Commerce to finalize the stadium plans. The outcome could significantly impact the Kansas

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economy, bringing new jobs, visitors, and revenue to the state with a domed stadium.

MASON REPLACEMENT

Monday, June 17, Republican precinct committee members met to elect a successor for the late Rep. Les Mason. Lori Shultz, the wife of former representative Clark Shultz, was selected and sworn in during the opening of the Special Session. She indicated that she will vote for the tax cuts and the tax incentives for the Chiefs and Royals.

Kansas Legislative Insights is a publication developed by the Governmental Affairs & Public Policy Law practice group of Foulston Siefkin LLP. It is designed to inform business executives, human resources and governmental relations professionals, and general counsel about current developments occurring in current Kansas legislation. Published regularly during the Kansas legislative session and periodically when the Legislature is not in session, it focuses on issues involving healthcare, insurance, public finance, taxation, financial institutions, business & economic development, energy, real estate & construction, environmental, agribusiness, employment, and workers compensation. Bill summaries are by necessity brief, however, for additional information on any issue before the Kansas Legislature, contact Foulston Siefkin's Governmental Affairs & Public Policy Law practice group leader, C. Edward Watson, II, at 316.291.9589 or cewatson@foulston.com. Learn more about the authors below:

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