



KANSAS LEGISLATIVE INSIGHTS NEWSLETTER | MAY 7, 2019

After the House of Representatives voted to suspend its House rule on working past midnight, the veto session ended after five days in the early hours of Sunday, May 5, 2019. The rumored attempt to delay House approval of the budget to force the Senate to debate Medicaid expansion did materialize. A coalition of House Republicans joined Democrats who voted to reject the budget several times last week. The House leadership's initial response was to cut several key areas of the budget to finance Medicaid expansion, and House members rejected this approach. As is often typical, this resulted in long hours of waiting for legislators who are not on conference committees or directly involved in the negotiations. After House leadership applied pressure and Senate Majority Leader Sen. Jim Denning agreed to bring the issue up for consideration next session, the deadlock was broken on Saturday.

The scaled-back version of the \$245 million tax cut package (HB 2033 conference committee) passed both chambers. Earlier in the session, Gov. Kelly had vetoed a more-expensive version with retroactive provisions. The House vote was one vote shy of the 84 votes needed to override a Governor's veto. The tax package offered tax relief for multinational corporations and allowed itemizing by decoupling from the federal income tax code. Below, we have provided a brief listing of the provisions included. There is a small reduction in the food sales tax to be financed by an internet tax. The looming question is whether Gov. Kelly will veto the bill. Only a small minority of Kansans are expected to itemize under decoupling if the bill becomes law.

The Legislature returns on May 29 for the largely ceremonial sine die adjournment. This is the formal end of the Legislative session where legislators can consider vetoes and any budget line-item vetoes the Governor has made. Typically, there aren't enough legislators returning to allow for successful veto overrides.

The Senate could potentially return on May 14, if the Supreme Court orders Senate action on Gov. Kelly's nomination of Hon. Jeff Jack to the Court of Appeals. Senate leaders believe Chief Justice Lawton Nuss should make the appointment.

Elements of the tax cut package sent to the governor

The original HB 2033 - sales tax validation for Finney County

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- Exemption for repatriated foreign income
- Global Intangible Low-Taxed Income – tax 5% of GILTI income for one year (TY '18); exempt thereafter
- Itemization for individual filers even if they took the federal standard deduction
- Allows the business expensing deduction
- Excludes Section 118 capital contributions from Kansas income tax
- FDIC premiums paid by financial institutions will be exempt from Kansas income tax
- Extended the net operating loss carry-forward to 20 years
- Begins to collect sales tax on internet purchases (if more than \$100k of sales to Kansas)
- Food sales-tax cut with a provision for potential future cuts

Kansas Legislative Insights is a publication developed by the Governmental Relations & 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, it focuses on issues involving health care, 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 Relations & Public Policy Law practice group leader, James P. Rankin at 785.233.3600 or jrankin@foulston.com.

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