



Statehouse News

January 20, 2024

Tax Debate Far From Over

The big story this week was passage of HB 2284, the mega income, property and sales tax package. As expected, the bill passed the Senate, then the House. The Senate passed the bill on a 25-11 vote, with 4 senators not voting. The House passed the package on an 81-37 vote, with 7 representatives not voting.

Governor Kelly has pledged to veto the entire package even though she supports six of the seven pieces of the bill. The problem is the flat tax. It would set the income tax rate for everyone at 5.25%. Her argument against the flat tax is that it would give very rich people a huge tax cut but would give middle income people a much smaller savings.

HB 2284 details:

- Replacing the individual income tax brackets with a single rate of 5.25%
- Exempting social security income from the individual income tax
- Providing annual standard deduction increases with a cost-of-living adjustment (COLA)
- Reducing the privilege tax rate paid by banks
- Providing an increase in the personal exemption amounts and including future COLA increases
- Accelerating the elimination of the state food sales tax to July 1, 2024
- Increasing the statewide property tax exemption for the school finance levy to \$100,000.

Most of these items are included in the Governor's tax proposal. But Kelly says the flat tax piece is a budget-buster.

The Kansas Division of the Budget projected House Bill 2284 would put the state general fund's ending balance in the **red** by \$514.6-million in Fiscal Year 2029, according to information from the governor's office Thursday. By comparison, the division projected the governor's tax plan would leave the ending balance \$677.5-million in the **black** in 2029.

Last year the Senate failed to override the Kelly veto of a similar tax package. But that isn't guaranteed this year. The House will need 84 votes and the Senate will need 27 votes to override her decision. Statehouse watchers predict there will be 85 votes in the House but only 26 votes in the Senate... one vote short. Because it's a House bill, the Senate has to vote first. If it fails there it won't make it to the House.

Senator David Haley, D-KCK, is grabbing attention because he says he may or may not vote to override. As a Democrat, Haley should be a reliable vote to back the Governor. It's unclear if he's serious or playing for attention.

There is another possibility. The Governor and Legislative Leadership have said they will not negotiate or compromise their positions. But what if Kelly could convince leadership to allow a vote on Medicaid expansion in exchange for her support on some kind of flat tax? Both sides seem locked in, but there's lots of time left in the session. Without compromise, both sides go home empty-handed. The Republicans won't get tax relief and the Democrats won't get Medicaid. Every legislator is up for re-election this year. Not getting tax relief or Medicaid gives challengers a perfect campaign talking point against the incumbent.

Legislative Update

Plastic Container Ban: HB 2446 would ban cities and counties from prohibiting plastic bags and other disposable food containers. The bill is up for hearing Tuesday, January 23 at 10:30am in the Senate Federal and State Affairs Committee. The bill passed the House 72-51 last year. The only city to so far to impose such a ban is Lawrence. But at the heart of this bill is the Legislature's increasing effort to pre-empt all kinds of local decisions. This bill violates Constitutional Home Rule and tramples all over local control.

LAVTR: Our efforts to restore the Local Ad Valorem Tax Reduction payments got a chilly reception in Senate Tax committee. But the fight is far from over. Senate Local Government Committee will hold an informational briefing regarding LAVTR at 9:30am on Thursday, January 25. This will be staff briefing Senators about LAVTR not a regular hearing. But KCCA, KAC and LKM will be talking to committee members about the importance of LAVTR.

Elections: A host of election bills are in the hopper. SB 344 would change the way advance voters must prove who they are. The advance ballot would require a form with photo ID. HB 2515 would create rules and regs for remote drop boxes. This process would involve the Secretary of State working with local election officials. HB 2512 and SB 362 would require advance ballots be returned by 7pm on the Sunday before the election and would shutdown advance voting on the Monday morning before Election Day.

KPERS: There are two KPERS briefings this week. The first update will be before the House Financial Institutions and Pensions Committee on Monday, January 22 at 9:00am and the second update will be presented to the Senate Financial Institutions and Insurance Committee on Thursday, January 25 at 9:30am. There is brewing discussion about how terrible KPERS Plan 3 is. An organized move is being made to eliminate Plan 3 and move everyone back into Plan 2. But Senator Caryn Tyson is also working on a plan to make Plan 3 even worse by making a savings thrift plan. We'll be keeping an eye on this because changes will impact County governments.

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