



# LEGISLATIVE REPORT

KEDA

FEBRUARY 4, 2022

## OVERVIEW

This week session saw an unexpected turn as the snowstorm shut down the Legislature on Wednesday. The Senate opted to stay closed for the rest of the week while the House returned on Thursday for a handful of committee meetings. Monday and Tuesday saw plenty of action and new bills continue to flood in the doors. Next week promises to offer dozens of committee meetings with packed agendas making up for the snow days and preparing for Turnaround deadlines.

With the calendar officially turned to February, each week grows more intense. Most bills must be passed by the February 24 Turnaround deadline, essentially meaning committees have just two weeks to hold hearings and recommend bills. Meanwhile budget subcommittee continue to review agency budget proposals as the House considers the Economic Development Incentive Bill that was passed by the Senate last week.

## Redistricting

The Governor vetoed the Congressional map that the legislature passed. This map would divide Douglas County into the first and second districts; divide Wyandotte county into the first and second districts; divide Pawnee county into the first and fourth districts and adds Franklin and Anderson to Johnson and all of Miami counties to the third. The House and Senate will now attempt an override of her veto or revisit the map. The House and Senate District maps will be worked on in the next couple of weeks.

## Economic Development

The House Commerce Committee heard SB347 on Monday, January 31. The Committee is planning on discussing and acting on the bill on Monday, February 7. The bill, requested by the Commerce Department, was developed to provide additional state incentives for potential large economic development projects. The bill, known as APEX, would provide for tax and other incentives for projects in specified industries, or for national corporate headquarters with capital investment requirements of at least \$1,000,000,000. This would include a refundable tax credit for a portion of the investment, reimbursement of certain payroll costs and training costs, retention of certain payroll withholding taxes, a sales tax exemption for project construction and a property tax incentive for projects located in a foreign trade zone. A balloon amendment to the bill will add back the refundability. It also has a 2-year sunset for the incentives that are in the bill and allow a .5% reduction for each of two projects that qualify for the incentives in those 2 years.

## BASE Program

The SPARK Committee recommended \$100 million of ARPA funds go towards economic development. This week the Commerce Department announced the BASE (Building a Stronger Economy) program and the guidelines for application. BASE is designed to support infrastructure development to address economic development opportunities statewide with the goal of expanding the state's base of businesses and residents.

There is a minimum 25% match requirement by the applicant. Awardees will be provided with 50% of funds in 2022 and 50% in 2023. The website identifies the eligible entities and types of projects that could be funded. Applications need to be in by February 28. Here is a link to the application and information:  
<https://www.kansascommerce.gov/basegrant/>

Also on the site is a SPARK Investment Idea Submission Form for ARPA funds.  
<https://covid.ks.gov/spark-submission-form/>

## **Sales Tax Exemptions**

The House Taxation Committee heard two bills on reducing the state sales tax on food to 0% from 6.5%. Both bills allow the local entities to continue to assess a sales tax on food. The two bills differ on the definitions of food and food ingredients. The Governor's bill does not exempt some prepared foods, while Republican's bill includes all foods, including prepared foods. The Governor's bill will increase the percentage of the remaining sales tax that goes to the highway fund, to make up for the loss in revenue in sales tax on food. Neither bill was acted upon. The Senate versions, SB339 and SB342 have not been heard in Senate Assessment and Taxation Committee.

In general, there are many sales tax exemption bills being heard in Committees. A couple to note is that SB359 and HB2499 will be heard next week in Senate and House Taxation respectively. SB359 would eliminate the state sales tax on commercial and industrial utility bills. SB359 will be heard next week. HB2499 will cap at \$40 million a sales tax refund for telecommunications, internet, and video sales equipment. It has a hearing in House Taxation next week. It remains to be seen what the result will be in the sales tax exemption arena.

## **Housing Bills**

SB 375 and SB369 will be heard in Senate Federal and State Affairs Committee next week. SB375 would enact the Kansas Housing Investor Credit Act. The purpose of this new tax credit program would be to facilitate investment in suitable housing that will support the growth of communities that lack adequate housing by attracting new employees, residents, and families and would support the development and expansion of businesses that are job and wealth creating enterprises.

SB 369 would enact the Kansas Affordable Housing Tax Credit Act. The Act would provide a new Kansas Affordable Housing Income Tax Credit for qualified low-income housing projects located in Kansas and determined by the Kansas Housing Resources Corporation (KHRC) to be eligible for the federal low-income housing tax credit beginning in tax year 2023.

## **Budget**

The subcommittees of the House Appropriations and Senate Ways and Means Committees have begun meeting to finalize individual budgets and present to the full Committees. Higher Education budgets begin next week. Expect more activity in developing the next fiscal year budget in the next two weeks.

## **Next Week**

Below is a link to the calendars for next week:

[http://www.kslegislature.org/li/b2021\\_22/chamber/calendars/](http://www.kslegislature.org/li/b2021_22/chamber/calendars/)

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