

This Week **in Topeka**

Overland Park Chamber

*Business, Economic Development & Local Government News
from the Legislative Session Week of February 22-26, 2016*

Written by Tom Robinett, Vice President of Public Policy and Advocacy

This will be a relatively short report because the legislature limited its work to two days, hitting the halfway point of the 2016 session on February 23, three days earlier than originally planned. After a week off, they will return to work on Wednesday, March 2. First Adjournment is set for March 25, and the veto session will begin on April 27. That would make May 18 the 90th day of the session; hopefully, we all will be home well before then, but they still have budget issues and school finance to deal with, so some significant work remains. By the time the veto session begins, legislators will have more information available regarding the financial status of the state as the March revenue numbers will be in and the Consensus Revenue Estimating Group will meet on April 20 to revise its revenue projections.

There are several bills we will be following closely as the legislature gets back to work. One bill came out of left field, **HB2665**, recently having been introduced in the House Appropriations Committee (and, thus “blessed,” making it exempt from the timing issues and alive for the remainder of the session). A hearing is scheduled in the House Commerce Committee on Thursday. This bill again attacks the important issue of local control by prohibiting cities and counties from enacting any ordinance that would permit any periodic inspections of rental property without first having obtained a search warrant (and makes any such existing ordinances null and void). This would appear to nullify an ordinance recently passed by the Overland Park City Council that requires rental property owners to obtain a city license and allows code officials to conduct an exterior inspection of licensed property as needed. The Chamber opposes this bill as yet another infringement on local control.

HB2703 would provide the legislature additional oversight with respect to STAR bond project proposals, primarily requiring express legislative approval before any bonds may be issued by the KDFRA. Presumably, if enacted into law, this bill would nullify the proviso included in the budget bill, **H Sub for SB161** that prohibits any new STAR bond projects (e.g., the American Royal proposal) in Wyandotte County.

Two bills that deal with the property tax lid, **SB316** and **HB2609**, are set for hearings in the Senate Assessment and Taxation Committee and the House Taxation Committee, respectively, during the week of March 7. As you recall, during the 2015 session, the legislature imposed a cap on the revenue generated by property taxes available for use by local units of government, with certain stated uses excepted; this new limitation is set to become effective on July 1, 2018. **SB316** would make a bad law worse by accelerating the effective date to July 1, 2016, while also eliminating some of the use exceptions. The Overland Park Chamber and its economic development division oppose that bill. A number of entities, including the Chamber, led by the League of Kansas Municipalities, have worked to craft **HB2609** as an alternative to the Senate proposal. This bill would make some modifications to existing law that would better reflect the changes in the cost of providing governmental services, expand the exceptions to better recognize those expenses incurred over which the local units have no control, change the law from always requiring a public vote if the cap is to be exceeded to providing for a protest petition to trigger a popular vote, and making the effective date January 1, 2018. While opposing the basic concept of the legislature imposing a lid on local units of government, the support for **HB2609** is in recognition of the fact that repeal of the lid is not a real possibility.

Finally, **HB2444** was introduced by Rep. Mark Hutton (R-Wichita) and would repeal the income tax exemption on all non-wage pass-through business income (often referred to as the “LLC loophole”) enacted by the 2012 legislature, but it uses the revenue gained to buy down the sales tax on groceries from its current rate of 6.5% to 2.6%. Each one cent of sales tax on groceries generates approximately \$66 million annually. Although a date has not yet been set, it has been promised that this bill will get a hearing in House Taxation Committee. As you know, the Chamber supports a repeal, or at least a modification, of the current LLC loophole, having heard from you (including many owners of LLC’s, partnerships, sub-S corporations and sole proprietorships) that you believe it is not only unfair, but a poor fiscal policy, to completely exempt income from state tax; the promised big boost to the Kansas economy just has not happened.

I would like to hear from you again – whether or not you support this income tax exemption, want it repealed or modified to tax at least a portion of the income, or would prefer to leave the current law as it is. Send an email and let me know at trobinett@opchamber.org.

Upcoming Events. The next **Public Policy and Advocacy Committee** (formerly the Government Affairs Committee) meeting on March 11 will feature Congressman Kevin Yoder with an update on the happenings in DC. Note that this meeting will be a breakfast meeting, beginning at 7:30 a.m. at the Chamber; we will conclude by 9:00 am. Please register

by 5:00 p.m. on Tuesday, March 8 – [click here](#). Partners and sponsors may register with Julie Hakan at jhakan@opchamber.org.

We are working to finalize plans for a Legislative Breakfast on Friday, April 22, during the veto session. More details will be available soon, but keep that date open to spend some time with members of our legislative delegation and get an update on the session.