

2024 Special Session Summary of Legislation



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INTRODUCTION

This publication includes summaries of the legislation enacted by the 2024 Legislature during the 2024 Special Session. The special session commenced on June 18, 2024, and was adjourned that same day.

During the 2024 Special Session, 12 bills were introduced: 8 bills in the Senate and 4 bills in the House. Two of these bills became law (one Senate bill and one House bill).

This publication does not include a summary of any legislation associated with the 2024 Regular Session. That legislation is summarized in a separate publication.

Table of Contents

ECONOMIC DEVELOPMENT: STAR BONDS; HB 2001.....	1
TAXATION: TAX REFORM—INCOME AND PROPERTY TAX REDUCTIONS; SB 1.....	5

ECONOMIC DEVELOPMENT

STAR Bonds; HB 2001

HB 2001 amends the Sales Tax and Revenue (STAR) Bond program to authorize projects involving major professional sports complexes and provide said projects with additional sources of revenue for bond repayment. The bill also provides enhanced approval authority for the Secretary of Commerce (Secretary) and the Legislative Coordinating Council (LCC) to approve no more than two such STAR Bond projects and allow the Kansas Development Finance Authority (KDFA) to issue special obligation bonds in FY 2025 and FY 2026 for purposes of funding those projects.

STAR Bonds Financing Act

The bill authorizes agreements with one or two major professional sports franchises for the purpose of establishing major professional sports franchise STAR Bond project districts for a major professional sports complex. The bill requires these projects to have a minimum capital investment of \$1.0 billion. The authority to establish such projects will sunset on June 30, 2025, with the option of a one-year extension if approved by the LCC.

All provisions of the bill pertain exclusively to STAR Bond projects for a major professional sports complex and are not applicable to other potential STAR Bond projects described in statute.

Definitions

The bill creates the following definitions within the STAR Bonds Financing Act (Act):

- “Major professional sports complex” means a project in the state that includes a stadium of no fewer than 30,000 seats for the purpose of hosting National Football League (NFL) or Major League Baseball (MLB) games and other events or a practice or training facility utilized by a major professional sports franchise. Such projects are authorized to include all buildings, improvements, facilities, or attractions located within the STAR Bond project district; and
- “Major professional sports franchise” means any corporation, partnership, or other entity that owns a team or franchise that is a member of the NFL or MLB and that is located in any state adjacent to Kansas.

The bill also amends the definition of “project costs” to include the cost of a major professional sports complex that would include all costs necessary to implement a STAR Bond project for the development of a major professional sports complex including, but not limited to, costs incurred for the following:

- Construction or renovation of a stadium and other buildings;
- Improvements;
- Structures;
- Facilities;
- Infrastructure improvements;

- Utilities; and
- Related expenses to develop and finance such complex.

Exemptions

The bill allows major professional sports complex STAR Bond projects to include real property that is, or has been, part of another STAR Bond project district. Any outstanding STAR Bonds issued for such other district would have priority for repayment. For these projects, the bill requires developed areas to contain contiguous parcels of real estate.

The bill also exempts these STAR Bond projects from the requirement barring relocation from another area of the state.

Alternate Procedure for Approval

The bill allows a major professional sports complex STAR Bond project to be approved by the Secretary without approval by the city or county in which the project would be located.

In lieu of the city or county approval method contained in the Act, the bill authorizes the Secretary to assume the powers of a city or county, as provided in the Act, necessary to establish and undertake the project. Such powers include changes to the project district, except no public hearing would be required prior to action. Special obligation bonds would be issued by the KDFA. The bill also states that any special obligation bonds issued by the KDFA under the Secretary's authority will not constitute a debt of the State of Kansas.

The bill requires the Secretary to present any proposed agreement for a major professional sports complex STAR Bond project to the LCC for review and approval of the potential agreement. If the LCC does not approve that proposed agreement, the bill authorizes the Secretary to continue negotiations with the major professional sports franchise and submit another proposed agreement for LCC review and approval.

The bill also requires that the LCC review and approval process apply to the local government approval method in statute, if used for a major professional sports complex project, as well as any additional bonds issued following initial approval of the project.

STAR Bond Financing

The bill allows a STAR Bond project involving a major professional sports complex to finance up to 70.0 percent of the total costs of the project. [*Note:* All other STAR Bond projects are limited to 50.0 percent of total costs.] The Secretary is authorized, with approval of the LCC, to request additional special obligation bonds to be issued in an amount exceeding the amount previously approved by the Secretary, limited to not more than 70.0 percent of the additional costs or expansion of the project. The bill prohibits the terms of all special obligation bonds for these projects from exceeding 30 years.

[*Note:* Any special obligation bonds issued by the KDFA for projects approved solely by the Secretary would pledge only state revenues from the above-mentioned revenue sources

from within the confines of the district for purposes of bond repayment unless local revenues are separately pledged by local governments.]

Payment of the special obligation bonds issued by the city, county, or KDFA would be payable from a pledge of the following:

- Any method or combination of methods currently in statute except that the tax increment revenue would include all retail sales tax collected from any business within the STAR Bond district [*Note:* STAR Bond repayment generally excludes sales tax collected from retail automobile sales and caps the amount of increment state sales tax at 90.0 percent.];
- Up to 100.0 percent of revenues derived from the sale of alcoholic liquor collected from consumers purchasing alcoholic liquor within the STAR Bond district [*Note:* This captures the privilege and drink taxes but excludes the gallonage tax charged to producers.]; and
- With approval of the Secretary, moneys from the Attracting Professional Sports to Kansas Fund.

The bill also provides both the Secretary and the participating local unit of government with discretion on determining the base year amount of tax revenue from which the increment tax revenue is calculated. [*Note:* All other STAR Bond districts would continue to calculate the base year of revenue by aggregating the 12 months of sales tax revenue for the district prior to establishment of the district.]

The bill states that, if the major professional sports complex STAR Bond project was unilaterally approved by the Secretary without city or county approval, only the State portions of the aforementioned taxes could be pledged to repayment of the bonds. Should the city or county wish to participate in a Secretary-initiated project, the bill requires the local unit of government to hold a public hearing and pass a resolution or ordinance that pledges the applicable local revenues to the project within 60 days of LCC approval of the project.

The bill also requires any revenues that have been previously pledged to pay one or more STAR bonds to be used to first to satisfy the remaining obligations of the previous bonds. The bill also authorizes the Secretary to approve KDFA's refunding of all or part of any special obligation bonds issued for a project.

Kansas Open Meetings Act and Kansas Open Records Act

The bill grants the LCC Chairperson the discretion to determine when any review, testimony, or discussion regarding proposed agreements for a professional sports complex project could be held in executive session. The bill also requires the vote on the proposed agreement to be made in open session and be limited to an up-or-down vote.

The bill deems a proposed agreement and any associated documentation or testimony to be confidential and not subject to the Kansas Open Records Act until the agreement has been approved and executed. Such confidentiality expires on July 1, 2029, unless reenacted by the Legislature.

State Gaming Revenues Fund

The bill requires that the Director of the Budget and the Director of Legislative Research, on June 25, 2025, and every June 25 thereafter, certify the aggregate of all amounts that have been transferred from the Lottery Operating Fund to the State Gaming Revenues Fund (SGRF). Any moneys in excess of \$71.49 million would be transferred on June 30, 2025, and each fiscal year thereafter to the Attracting Professional Sports to Kansas Fund. No moneys would be transferred if the SGRF is found to have \$71.49 million or less.

TAXATION

Tax Reform—Income and Property Tax Reductions; SB 1

SB 1 makes various changes to income and property tax law. Specifically, the bill:

- Restructures individual income tax brackets and rates to provide for a two-bracket system;
- Exempts Social Security income from the individual income tax;
- Increases the standard deduction and personal exemption amounts;
- Reduces privilege tax rates;
- Abolishes the Local Ad Valorem Tax Reduction Fund and County and City Revenue Sharing Fund;
- Increases the amount of the appraised value of residential property exempt from the statewide uniform school finance levy;
- Increases the child and dependent care income tax credit; and
- Excludes federal Internal Revenue Code Section 1031 exchange (Section 1031 exchange) sales from being considered valid sales for property valuation purposes.

The bill is in effect upon publication in the *Kansas Register*.

Individual Income Tax Brackets and Rates

The bill restructures the Kansas individual income tax brackets to a two-bracket system, beginning in tax year 2024. For married individuals filing jointly, taxable income of \$0 to \$46,000 is to be taxed at 5.2 percent, and taxable income of \$46,001 and above is to be taxed at 5.58 percent.

For all other filers, taxable income of \$0 to \$23,000 is to be taxed at 5.2 percent, and taxable income of \$23,001 and above is to be taxed at 5.58 percent.

Social Security Benefit Exemption

Beginning in tax year 2024, all Social Security benefits are exempt from Kansas income tax.

Standard Deduction and Personal Exemption Increases

The bill increases the standard deduction amounts from \$3,500 to \$3,605 for single filing status, \$8,000 to \$8,240 for married filing status, and \$6,000 to \$6,180 for head-of-household filing status beginning in tax year 2024.

The bill also increases the personal exemption allowance amount, from \$2,250 for all persons on the return to \$18,320 for married couples filing joint returns, \$9,160 for all other filers, and an additional \$2,320 for each dependent listed on the return.

Financial Institutions Privilege Tax Rate Changes

The bill reduces the privilege tax rates applied to financial institutions.

For banks, the normal tax rate is reduced from 2.25 percent to 1.94 percent for tax year 2024 and all years thereafter.

For trust companies and savings and loan associations, the normal tax rate is reduced from 2.25 percent to 1.93 percent for tax year 2024 and all years thereafter.

[*Note:* The surtaxes on financial institutions are not affected by the bill.]

Local Government Transfers

The bill abolishes the Local Ad Valorem Tax Reduction Fund and County and City Revenue Sharing Fund and eliminates statutory transfers from the State General Fund (SGF) to these funds.

School Finance Levy Residential Exemption

The bill increases, beginning in tax year 2024, the amount of residential property exempt from the statewide uniform school finance levy to \$75,000 of appraised value.

The bill discontinues the formula to increase the amount of the exemption based upon the statewide average increase in residential valuation over the preceding ten years.

The bill requires a transfer to be made from the SGF to the State School District Finance Fund in the amount of any reduction to the State School District Finance Fund attributable to the residential exemption in excess of \$42,049, as certified by the Director of the Budget.

For 2024 only, dates in property tax cycles requiring county clerks to notify taxing entities of certain taxable values and revenue neutral rates are delayed from June 15 to July 1.

Tax Credit for Household and Dependent Care Expenses

The bill increases the tax credit for household and dependent care expenses from 25 percent to 50 percent of the federally allowed amount, beginning in tax year 2024.

Section 1031 Exchange Exclusion from Valid Sales

The bill prohibits the sale price at which a property sells in a Section 1031 exchange from being considered an indicator of fair market value or used in arriving at fair market value for property tax purposes. The bill excludes such sales from being considered valid sales for purposes of the sales ratio study used for measuring tax appraisal accuracy.

[*Note:* A Section 1031 exchange allows a person to postpone paying tax on the gain the person receives from selling a property if they reinvest the proceeds in similar property as part of a qualifying like-kind exchange.]