

SESSION OF 2017

SUPPLEMENTAL NOTE ON SENATE BILL NO. 67

As Recommended by Senate Committee on
Financial Institutions and Insurance

Brief*

SB 67 would amend the Kansas Banking Code to allow state-chartered banks to purchase tax credits for certain historic structure rehabilitation expenditures provided for in the Kansas Income Tax Act.

The bill would limit the amount of tax credits a state-chartered bank could hold at a given time to no more than 25 percent of the total sum of the bank's capital stock, surplus, undivided profits, 100 percent of the allowance for loan and lease loss, capital notes and debentures, and reserve for contingencies.

Background

The bill was introduced by the Senate Committee on Financial Institutions and Insurance at the request of the Kansas Bankers Association (KBA). In the Senate Committee hearing, a KBA representative testified in favor of the bill, stating current Kansas tax law allows a historic preservation tax credit to be used against the privilege tax liability imposed upon any national banking association, state bank, trust company, or savings and loan association; however, the Kansas Banking Code does not recognize bank participation in the purchase of historic tax credits in Kansas as a permissible activity. Thus, the representative noted, the banking code and tax code are out of sync. The representative also stated federally-chartered banks and

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

savings and loan associations currently have the ability to purchase these credits. Written-only proponent testimony was provided by a representative of the the Community Bankers Association of Kansas. No neutral or opponent testimony was provided.

According to the fiscal note prepared by the Division of the Budget, the Kansas Department of Revenue (KDOR) estimates enactment of the bill would have the potential to reduce privilege tax revenues by allowing state-chartered banks to purchase and hold the historic preservation tax credit; however, the reduction in privilege tax revenues are estimated to be negligible. KDOR indicates all banks, savings and loans, and trust companies are estimated to pay privilege taxes totaling \$39.0 million in FY 2018 and \$40.0 million in FY 2019 and only a small fraction would be offset by state-chartered banks purchasing the historic preservation tax credit. The bill would not affect the overall amount of tax credits that can be claimed each year, but could change the way these tax credits could be claimed by individual, corporate, and privilege taxpayers.

The Office of the State Bank Commissioner (OSBC) indicates the bill would have no fiscal effect on OSBC operations. The Kansas Historical Society currently administers the historic preservation tax credit; however, the changes proposed in the bill would have no fiscal effect on the administration of this tax credit. Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2018 Governor's Budget Report*.