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MEMORANDUM

To: Chairman Kelly and members of the House Financial Institutions and Rural Development Committee

From: Office of Revisor of Statutes

Date: February 8, 2021

Subject: **SB 15 - Enacting the Kansas economic recovery loan deposit program, updating field of membership requirements of credit unions and allowing privilege tax deductions on agricultural real estate loans and single family residence loans.**

Senate Bill No. 15 as introduced contained the same provisions relating to the Kansas economic recovery loan deposit program, updating field of membership requirements for credit unions, and allowing privilege tax deductions on agricultural real estate loans and single-family residence loans for those financial institutions subject to the tax as are included in HB 2069, which this committee heard on January 25, 2021.

The Senate Financial Institutions and Insurance Committee adopted the following amendments to SB 15:

1. Amended the definition of "eligible borrower" in the loan deposit program to mean any individual or entity operating a business primarily for commercial or agricultural purposes ***with not more than 100 full-time employees maintaining offices or operating facilities and transacting business in the state of Kansas*** and is not an individual obtaining a loan primarily for personal, family or household purposes;
2. Amended the definition of "eligible lending institution" in the loan deposit program to require an institution of the farm credit system to have at least one branch in the state of Kansas;
3. Added language stating that the legislature shall perform a review of the Kansas economic recovery loan deposit program as part of the state treasurer's annual report on or after January 1, 2024;

4. Required eligible borrowers in the loan deposit program to certify on the loan application that the reduced rate loan will be used exclusively for the expenses involved in operating the borrower's business *in Kansas*;

5. Amended language to provide that agreements between eligible lending institutions and the state treasurer for economic recovery loan deposit be placed for a period of time not to exceed 10 years and that is considered appropriate in coordination with the underlying economic recovery loan; and

6. Amended the definition of "qualified agricultural real estate *loans*" in the privilege tax deduction section, K.S.A. 79-1109, to mean *loans made on* real property that is substantially used for the production of one or more agricultural products *and that*:

- (A) Have maturities of not less than five years and not more than 40 years;*
- (B) are secured by a first lien interest in real estate, except that the loans may be secured by a second lien interest if the institution also holds the first lien on the property; and*
- (C) have an outstanding loan balance when made that is less than 85% of the appraised value of the real estate, except that a loan for which private mortgage insurance is obtained may exceed 85% of the appraised value of the real estate to the extent the loan amount in excess of 85% is covered by such insurance.*

A floor amendment was also made to the bill in the Senate Committee of the Whole to amend the definition of "eligible borrower" in the loan deposit program by striking "100" and inserting "200" for the limit on the number of full-time employees maintaining offices or operating facilities and transacting business in the state of Kansas an eligible borrow may have.

The Senate final action vote on SB 15 was 39-0.