

HOUSE BILL No. 2250

By Committee on Taxation

2-2

1 AN ACT concerning taxation; relating to income tax, determination of
2 Kansas adjusted gross income, certain business income; sales and
3 compensating use tax, rate, food and food ingredients; establishing the
4 food sales tax reduction fund; amending K.S.A. 2016 Supp. 79-32,117,
5 79-32,269, 79-3602, 79-3603, 79-3620, 79-3703 and 79-3710 and
6 repealing the existing sections.
7

8 *Be it enacted by the Legislature of the State of Kansas:*

9 New Section 1. (a) As used in this section:

10 (1) "Employee" means any person, including a taxpayer with qualified
11 income, who is employed by a qualified business entity and performs
12 duties for the business.

13 (2) "Qualified business entity" means a limited liability company, S
14 corporation, partnership, association, sole proprietorship, joint venture or
15 other similar form of business organization. The term "qualified business
16 entity" shall not include any business organization subject to the income
17 tax on corporations under K.S.A. 79-32,110(c), and amendments thereto.

18 (3) "Qualified income" means: (A) Net profit or loss from business as
19 determined under the federal internal revenue code and reported from
20 schedule C and on line 12 of the taxpayer's form 1040 federal individual
21 income tax return; (B) net income or loss, not including guaranteed
22 payments as defined in section 707(c) of the federal internal revenue code
23 and as reported to the taxpayer from federal schedule K-1, (form 1065-B),
24 in box 9, code F or as reported to the taxpayer from federal schedule K-1,
25 (form 1065) in box 4, from rental real estate, royalties, partnerships, S
26 corporations, estates, trusts, residual interest in real estate mortgage
27 investment conduits and net farm rental as determined under the federal
28 internal revenue code and reported from schedule E and on line 17 of the
29 taxpayer's form 1040 federal individual income tax return; and (C) net
30 farm profit or loss as determined under the federal internal revenue code
31 and reported from schedule F and on line 18 of the taxpayer's form 1040
32 federal income tax return all to the extent included in the taxpayer's federal
33 adjusted gross income. For purposes of this subsection, references to the
34 federal form 1040 and federal schedule C, schedule E, and schedule F,
35 shall be to such form and schedules as they existed for tax year 2011 and
36 as revised thereafter by the internal revenue service.

1 (b) For taxable years commencing after December 31, 2016, in
2 addition to the modifications set forth in K.S.A. 79-32,117, and
3 amendments thereto, the federal adjusted gross income of an individual
4 taxpayer with qualified income shall be further modified by subtracting
5 from federal adjusted gross income an amount equal to 10% of qualified
6 income for each employee, up to a maximum of 10 employees, who has
7 been compensated for at least 2080 hours of work or paid time off for the
8 qualified business entity in the previous tax year.

9 (c) The secretary of revenue shall adopt all rules and regulations
10 necessary to administer the provisions of this section.

11 New Sec. 2. (a) On July 1, 2017, the food sales tax reduction fund is
12 hereby established in the state treasury.

13 (b) On or before the 10th day of each month commencing on July 1,
14 2017, the director of accounts and reports shall transfer from the state
15 general fund to the food sales tax reduction fund interest earnings based
16 on:

17 (1) The average daily balance of moneys in the food sales tax
18 reduction fund for the preceding month; and

19 (2) the net earnings rate of the pooled money investment portfolio for
20 the preceding month.

21 New Sec. 3. (a) As used in this section:

22 (1) "Qualified tax receipts" means revenues from income tax imposed
23 by the state of Kansas on qualified income, as that term is defined in
24 section 1, and amendments thereto.

25 (2) "Secretary" means the secretary of revenue.

26 (b) Commencing with fiscal year 2018, in any fiscal year in which the
27 amount of qualified tax receipts from such fiscal year exceeds the qualified
28 tax receipts for the immediately preceding fiscal year, the director of the
29 budget and the director of legislative research shall jointly certify such
30 excess amount, in dollars, to the secretary. On or before August 15
31 following the end of such fiscal year, such certified amount shall be
32 transferred from the state general fund to the budget stabilization fund
33 established in K.S.A. 2016 Supp. 75-6706, and amendments thereto.

34 (c) Pursuant to this section, no additional moneys shall be transferred
35 from the state general fund to the budget stabilization fund if the balance
36 in the fund is at least 7.5% of the total amount authorized to be expended
37 or transferred by demand transfer from the state general fund in such fiscal
38 year, except to the extent such transfers are needed to maintain the balance
39 in the budget stabilization fund at such amount. As soon as the balance in
40 the budget stabilization fund reaches an amount equal to 7.5% of the total
41 amount authorized to be expended or transferred by demand transfer from
42 the state general fund in such fiscal year, any further moneys shall instead
43 be transferred from the state general fund to the food sales tax reduction

1 fund established in section 2, and amendments thereto. The transfer from
2 the state general fund to the food sales tax reduction fund shall occur on or
3 before August 15 following the end of such fiscal year and shall be
4 certified in the same manner as provided in subsection (a).

5 (d) Upon receiving the certification provided for in subsection (b), the
6 secretary shall compute the food sales tax rate reductions, if any, to go into
7 effect for the next tax year that would reduce by such certified amount, in
8 dollars, the revenues received from taxes on the sales of food and food
9 ingredients. The secretary shall publish the new sales tax rate on food and
10 food ingredients to take effect on January 1, by October 1 of the preceding
11 year.

12 Sec. 4. K.S.A. 2016 Supp. 79-32,117 is hereby amended to read as
13 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
14 means such individual's federal adjusted gross income for the taxable year,
15 with the modifications specified in this section.

16 (b) There shall be added to federal adjusted gross income:

17 (i) Interest income less any related expenses directly incurred in the
18 purchase of state or political subdivision obligations, to the extent that the
19 same is not included in federal adjusted gross income, on obligations of
20 any state or political subdivision thereof, but to the extent that interest
21 income on obligations of this state or a political subdivision thereof issued
22 prior to January 1, 1988, is specifically exempt from income tax under the
23 laws of this state authorizing the issuance of such obligations, it shall be
24 excluded from computation of Kansas adjusted gross income whether or
25 not included in federal adjusted gross income. Interest income on
26 obligations of this state or a political subdivision thereof issued after
27 December 31, 1987, shall be excluded from computation of Kansas
28 adjusted gross income whether or not included in federal adjusted gross
29 income.

30 (ii) Taxes on or measured by income or fees or payments in lieu of
31 income taxes imposed by this state or any other taxing jurisdiction to the
32 extent deductible in determining federal adjusted gross income and not
33 credited against federal income tax. This paragraph shall not apply to taxes
34 imposed under the provisions of K.S.A. 79-1107 or 79-1108, and
35 amendments thereto, for privilege tax year 1995, and all such years
36 thereafter.

37 (iii) The federal net operating loss deduction.

38 (iv) Federal income tax refunds received by the taxpayer if the
39 deduction of the taxes being refunded resulted in a tax benefit for Kansas
40 income tax purposes during a prior taxable year. Such refunds shall be
41 included in income in the year actually received regardless of the method
42 of accounting used by the taxpayer. For purposes hereof, a tax benefit shall
43 be deemed to have resulted if the amount of the tax had been deducted in

1 determining income subject to a Kansas income tax for a prior year
2 regardless of the rate of taxation applied in such prior year to the Kansas
3 taxable income, but only that portion of the refund shall be included as
4 bears the same proportion to the total refund received as the federal taxes
5 deducted in the year to which such refund is attributable bears to the total
6 federal income taxes paid for such year. For purposes of the foregoing
7 sentence, federal taxes shall be considered to have been deducted only to
8 the extent such deduction does not reduce Kansas taxable income below
9 zero.

10 (v) The amount of any depreciation deduction or business expense
11 deduction claimed on the taxpayer's federal income tax return for any
12 capital expenditure in making any building or facility accessible to the
13 handicapped, for which expenditure the taxpayer claimed the credit
14 allowed by K.S.A. 79-32,177, and amendments thereto.

15 (vi) Any amount of designated employee contributions picked up by
16 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,
17 and amendments thereto.

18 (vii) The amount of any charitable contribution made to the extent the
19 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
20 32,196, and amendments thereto.

21 (viii) The amount of any costs incurred for improvements to a swine
22 facility, claimed for deduction in determining federal adjusted gross
23 income, to the extent the same is claimed as the basis for any credit
24 allowed pursuant to K.S.A. 2016 Supp. 79-32,204, and amendments
25 thereto.

26 (ix) The amount of any ad valorem taxes and assessments paid and
27 the amount of any costs incurred for habitat management or construction
28 and maintenance of improvements on real property, claimed for deduction
29 in determining federal adjusted gross income, to the extent the same is
30 claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,203,
31 and amendments thereto.

32 (x) Amounts received as nonqualified withdrawals, as defined by
33 K.S.A. 2016 Supp. 75-643, and amendments thereto, if, at the time of
34 contribution to a family postsecondary education savings account, such
35 amounts were subtracted from the federal adjusted gross income pursuant
36 to K.S.A. 79-32,117(c)(xv), and amendments thereto, or if such amounts
37 are not already included in the federal adjusted gross income.

38 (xi) The amount of any contribution made to the same extent the
39 same is claimed as the basis for the credit allowed pursuant to K.S.A. 2016
40 Supp. 74-50,154, and amendments thereto.

41 (xii) For taxable years commencing after December 31, 2004,
42 amounts received as withdrawals not in accordance with the provisions of
43 K.S.A. 2016 Supp. 74-50,204, and amendments thereto, if, at the time of

1 contribution to an individual development account, such amounts were
2 subtracted from the federal adjusted gross income pursuant to subsection
3 (c)(xiii), or if such amounts are not already included in the federal adjusted
4 gross income.

5 (xiii) The amount of any expenditures claimed for deduction in
6 determining federal adjusted gross income, to the extent the same is
7 claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.
8 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

9 (xiv) The amount of any amortization deduction claimed in
10 determining federal adjusted gross income to the extent the same is
11 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,221, and
12 amendments thereto.

13 (xv) The amount of any expenditures claimed for deduction in
14 determining federal adjusted gross income, to the extent the same is
15 claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.
16 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233
17 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-
18 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

19 (xvi) The amount of any amortization deduction claimed in
20 determining federal adjusted gross income to the extent the same is
21 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,227, 79-
22 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments
23 thereto.

24 (xvii) The amount of any amortization deduction claimed in
25 determining federal adjusted gross income to the extent the same is
26 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,256, and
27 amendments thereto.

28 (xviii) For taxable years commencing after December 31, 2006, the
29 amount of any ad valorem or property taxes and assessments paid to a state
30 other than Kansas or local government located in a state other than Kansas
31 by a taxpayer who resides in a state other than Kansas, when the law of
32 such state does not allow a resident of Kansas who earns income in such
33 other state to claim a deduction for ad valorem or property taxes or
34 assessments paid to a political subdivision of the state of Kansas in
35 determining taxable income for income tax purposes in such other state, to
36 the extent that such taxes and assessments are claimed as an itemized
37 deduction for federal income tax purposes.

38 (xix) For all taxable years beginning after December 31, 2012, *and*
39 *ending before January 1, 2017*, the amount of any: (1) Loss from business
40 as determined under the federal internal revenue code and reported from
41 schedule C and on line 12 of the taxpayer's form 1040 federal individual
42 income tax return; (2) loss from rental real estate, royalties, partnerships, S
43 corporations, except those with wholly owned subsidiaries subject to the

1 Kansas privilege tax, estates, trusts, residual interest in real estate
2 mortgage investment conduits and net farm rental as determined under the
3 federal internal revenue code and reported from schedule E and on line 17
4 of the taxpayer's form 1040 federal individual income tax return; and (3)
5 farm loss as determined under the federal internal revenue code and
6 reported from schedule F and on line 18 of the taxpayer's form 1040
7 federal income tax return; all to the extent deducted or subtracted in
8 determining the taxpayer's federal adjusted gross income. For purposes of
9 this subsection, references to the federal form 1040 and federal schedule
10 C, schedule E, and schedule F, shall be to such form and schedules as they
11 existed for tax year 2011, and as revised thereafter by the internal revenue
12 service.

13 (xx) For all taxable years beginning after December 31, 2012, the
14 amount of any deduction for self-employment taxes under section 164(f)
15 of the federal internal revenue code as in effect on January 1, 2012, and
16 amendments thereto, in determining the federal adjusted gross income of
17 an individual taxpayer, to the extent the deduction is attributable to income
18 reported on schedule C, E or F and on line 12, 17 or 18 of the taxpayer's
19 form 1040 federal income tax return.

20 (xxi) For all taxable years beginning after December 31, 2012, the
21 amount of any deduction for pension, profit sharing, and annuity plans of
22 self-employed individuals under section 62(a)(6) of the federal internal
23 revenue code as in effect on January 1, 2012, and amendments thereto, in
24 determining the federal adjusted gross income of an individual taxpayer.

25 (xxii) For all taxable years beginning after December 31, 2012, the
26 amount of any deduction for health insurance under section 162(l) of the
27 federal internal revenue code as in effect on January 1, 2012, and
28 amendments thereto, in determining the federal adjusted gross income of
29 an individual taxpayer.

30 (xxiii) For all taxable years beginning after December 31, 2012, the
31 amount of any deduction for domestic production activities under section
32 199 of the federal internal revenue code as in effect on January 1, 2012,
33 and amendments thereto, in determining the federal adjusted gross income
34 of an individual taxpayer.

35 (xxiv) For taxable years commencing after December 31, 2013, that
36 portion of the amount of any expenditure deduction claimed in
37 determining federal adjusted gross income for expenses paid for medical
38 care of the taxpayer or the taxpayer's spouse or dependents when such
39 expenses were paid or incurred for an abortion, or for a health benefit plan,
40 as defined in K.S.A. 2016 Supp. 65-6731, and amendments thereto, for the
41 purchase of an optional rider for coverage of abortion in accordance with
42 K.S.A. 2016 Supp. 40-2,190, and amendments thereto, to the extent that
43 such taxes and assessments are claimed as an itemized deduction for

1 federal income tax purposes.

2 (xxv) For taxable years commencing after December 31, 2013, that
3 portion of the amount of any expenditure deduction claimed in
4 determining federal adjusted gross income for expenses paid by a taxpayer
5 for health care when such expenses were paid or incurred for abortion
6 coverage, a health benefit plan, as defined in K.S.A. 2016 Supp. 65-6731,
7 and amendments thereto, when such expenses were paid or incurred for
8 abortion coverage or amounts contributed to health savings accounts for
9 such taxpayer's employees for the purchase of an optional rider for
10 coverage of abortion in accordance with K.S.A. 2016 Supp. 40-2,190, and
11 amendments thereto, to the extent that such taxes and assessments are
12 claimed as a deduction for federal income tax purposes.

13 (c) There shall be subtracted from federal adjusted gross income:

14 (i) Interest or dividend income on obligations or securities of any
15 authority, commission or instrumentality of the United States and its
16 possessions less any related expenses directly incurred in the purchase of
17 such obligations or securities, to the extent included in federal adjusted
18 gross income but exempt from state income taxes under the laws of the
19 United States.

20 (ii) Any amounts received which are included in federal adjusted
21 gross income but which are specifically exempt from Kansas income
22 taxation under the laws of the state of Kansas.

23 (iii) The portion of any gain or loss from the sale or other disposition
24 of property having a higher adjusted basis for Kansas income tax purposes
25 than for federal income tax purposes on the date such property was sold or
26 disposed of in a transaction in which gain or loss was recognized for
27 purposes of federal income tax that does not exceed such difference in
28 basis, but if a gain is considered a long-term capital gain for federal
29 income tax purposes, the modification shall be limited to that portion of
30 such gain which is included in federal adjusted gross income.

31 (iv) The amount necessary to prevent the taxation under this act of
32 any annuity or other amount of income or gain which was properly
33 included in income or gain and was taxed under the laws of this state for a
34 taxable year prior to the effective date of this act, as amended, to the
35 taxpayer, or to a decedent by reason of whose death the taxpayer acquired
36 the right to receive the income or gain, or to a trust or estate from which
37 the taxpayer received the income or gain.

38 (v) The amount of any refund or credit for overpayment of taxes on
39 or measured by income or fees or payments in lieu of income taxes
40 imposed by this state, or any taxing jurisdiction, to the extent included in
41 gross income for federal income tax purposes.

42 (vi) Accumulation distributions received by a taxpayer as a
43 beneficiary of a trust to the extent that the same are included in federal

1 adjusted gross income.

2 (vii) Amounts received as annuities under the federal civil service
3 retirement system from the civil service retirement and disability fund and
4 other amounts received as retirement benefits in whatever form which
5 were earned for being employed by the federal government or for service
6 in the armed forces of the United States.

7 (viii) Amounts received by retired railroad employees as a
8 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and
9 228c (a)(1) et seq.

10 (ix) Amounts received by retired employees of a city and by retired
11 employees of any board of such city as retirement allowances pursuant to
12 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter
13 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and
14 amendments thereto.

15 (x) For taxable years beginning after December 31, 1976, the amount
16 of the federal tentative jobs tax credit disallowance under the provisions of
17 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the
18 amount of the targeted jobs tax credit and work incentive credit
19 disallowances under 26 U.S.C. § 280 C.

20 (xi) For taxable years beginning after December 31, 1986, dividend
21 income on stock issued by Kansas venture capital, inc.

22 (xii) For taxable years beginning after December 31, 1989, amounts
23 received by retired employees of a board of public utilities as pension and
24 retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249,
25 and amendments thereto.

26 (xiii) For taxable years beginning after December 31, 2004, amounts
27 contributed to and the amount of income earned on contributions deposited
28 to an individual development account under K.S.A. 2016 Supp. 74-50,201
29 et seq., and amendments thereto.

30 (xiv) For all taxable years commencing after December 31, 1996, that
31 portion of any income of a bank organized under the laws of this state or
32 any other state, a national banking association organized under the laws of
33 the United States, an association organized under the savings and loan
34 code of this state or any other state, or a federal savings association
35 organized under the laws of the United States, for which an election as an
36 S corporation under subchapter S of the federal internal revenue code is in
37 effect, which accrues to the taxpayer who is a stockholder of such
38 corporation and which is not distributed to the stockholders as dividends of
39 the corporation. For ~~all~~ taxable years beginning after December 31, 2012,
40 *and ending before January 1, 2017*, the amount of modification under this
41 subsection shall exclude the portion of income or loss reported on schedule
42 E and included on line 17 of the taxpayer's form 1040 federal individual
43 income tax return.

1 (xv) For all taxable years beginning after December 31, 2006,
2 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a
3 joint return, for each designated beneficiary which are contributed to a
4 family postsecondary education savings account established under the
5 Kansas postsecondary education savings program or a qualified tuition
6 program established and maintained by another state or agency or
7 instrumentality thereof pursuant to section 529 of the internal revenue
8 code of 1986, as amended, for the purpose of paying the qualified higher
9 education expenses of a designated beneficiary at an institution of
10 postsecondary education. The terms and phrases used in this paragraph
11 shall have the meaning respectively ascribed thereto by the provisions of
12 K.S.A. 2016 Supp. 75-643, and amendments thereto, and the provisions of
13 such section are hereby incorporated by reference for all purposes thereof.

14 (xvi) For all taxable years beginning after December 31, 2004,
15 amounts received by taxpayers who are or were members of the armed
16 forces of the United States, including service in the Kansas army and air
17 national guard, as a recruitment, sign up or retention bonus received by
18 such taxpayer as an incentive to join, enlist or remain in the armed services
19 of the United States, including service in the Kansas army and air national
20 guard, and amounts received for repayment of educational or student loans
21 incurred by or obligated to such taxpayer and received by such taxpayer as
22 a result of such taxpayer's service in the armed forces of the United States,
23 including service in the Kansas army and air national guard.

24 (xvii) For all taxable years beginning after December 31, 2004,
25 amounts received by taxpayers who are eligible members of the Kansas
26 army and air national guard as a reimbursement pursuant to K.S.A. 48-
27 281, and amendments thereto, and amounts received for death benefits
28 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section
29 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and
30 amendments thereto, to the extent that such death benefits are included in
31 federal adjusted gross income of the taxpayer.

32 (xviii) For the taxable year beginning after December 31, 2006,
33 amounts received as benefits under the federal social security act which
34 are included in federal adjusted gross income of a taxpayer with federal
35 adjusted gross income of \$50,000 or less, whether such taxpayer's filing
36 status is single, head of household, married filing separate or married filing
37 jointly; and for all taxable years beginning after December 31, 2007,
38 amounts received as benefits under the federal social security act which
39 are included in federal adjusted gross income of a taxpayer with federal
40 adjusted gross income of \$75,000 or less, whether such taxpayer's filing
41 status is single, head of household, married filing separate or married filing
42 jointly.

43 (xix) Amounts received by retired employees of Washburn university

1 as retirement and pension benefits under the university's retirement plan.

2 (xx) For ~~all~~ taxable years beginning after December 31, 2012, *and*
3 *ending before January 1, 2017*, the amount of any: (1) Net profit from
4 business as determined under the federal internal revenue code and
5 reported from schedule C and on line 12 of the taxpayer's form 1040
6 federal individual income tax return; (2) net income, not including
7 guaranteed payments as defined in section 707(c) of the federal internal
8 revenue code and as reported to the taxpayer from federal schedule K-1,
9 (form 1065-B), in box 9, code F or as reported to the taxpayer from federal
10 schedule K-1, (form 1065) in box 4, from rental real estate, royalties,
11 partnerships, S corporations, estates, trusts, residual interest in real estate
12 mortgage investment conduits and net farm rental as determined under the
13 federal internal revenue code and reported from schedule E and on line 17
14 of the taxpayer's form 1040 federal individual income tax return; and (3)
15 net farm profit as determined under the federal internal revenue code and
16 reported from schedule F and on line 18 of the taxpayer's form 1040
17 federal income tax return; all to the extent included in the taxpayer's
18 federal adjusted gross income. For purposes of this subsection, references
19 to the federal form 1040 and federal schedule C, schedule E, and schedule
20 F, shall be to such form and schedules as they existed for tax year 2011
21 and as revised thereafter by the internal revenue service.

22 (xxi) For all taxable years beginning after December 31, 2013,
23 amounts equal to the unreimbursed travel, lodging and medical
24 expenditures directly incurred by a taxpayer while living, or a dependent
25 of the taxpayer while living, for the donation of one or more human organs
26 of the taxpayer, or a dependent of the taxpayer, to another person for
27 human organ transplantation. The expenses may be claimed as a
28 subtraction modification provided for in this section to the extent the
29 expenses are not already subtracted from the taxpayer's federal adjusted
30 gross income. In no circumstances shall the subtraction modification
31 provided for in this section for any individual, or a dependent, exceed
32 \$5,000. As used in this section, "human organ" means all or part of a liver,
33 pancreas, kidney, intestine, lung or bone marrow. The provisions of this
34 paragraph shall take effect on the day the secretary of revenue certifies to
35 the director of the budget that the cost for the department of revenue of
36 modifications to the automated tax system for the purpose of
37 implementing this paragraph will not exceed \$20,000.

38 (xxii) For all taxable years beginning after December 31, 2012, the
39 amount of net gain from the sale of: (1) Cattle and horses, regardless of
40 age, held by the taxpayer for draft, breeding, dairy or sporting purposes,
41 and held by such taxpayer for 24 months or more from the date of
42 acquisition; and (2) other livestock, regardless of age, held by the taxpayer
43 for draft, breeding, dairy or sporting purposes, and held by such taxpayer

1 for 12 months or more from the date of acquisition. The subtraction from
2 federal adjusted gross income shall be limited to the amount of the
3 additions recognized under the provisions of subsection (b)(xix)
4 attributable to the business in which the livestock sold had been used. As
5 used in this paragraph, the term "livestock" shall not include poultry.

6 (xxiii) For all taxable years beginning after December 31, 2012,
7 amounts received under either the Overland Park, Kansas police
8 department retirement plan or the Overland Park, Kansas fire department
9 retirement plan, both as established by the city of Overland Park, pursuant
10 to the city's home rule authority.

11 (xxiv) For all taxable years beginning after December 31, 2013, the
12 net gain from the sale from Christmas trees grown in Kansas and held by
13 the taxpayer for six years or more.

14 (d) There shall be added to or subtracted from federal adjusted gross
15 income the taxpayer's share, as beneficiary of an estate or trust, of the
16 Kansas fiduciary adjustment determined under K.S.A. 79-32,135, and
17 amendments thereto.

18 (e) The amount of modifications required to be made under this
19 section by a partner which relates to items of income, gain, loss, deduction
20 or credit of a partnership shall be determined under K.S.A. 79-32,131, and
21 amendments thereto, to the extent that such items affect federal adjusted
22 gross income of the partner.

23 Sec. 5. K.S.A. 2016 Supp. 79-32,269 is hereby amended to read as
24 follows: 79-32,269. (a) (1) (A) Except as provided in subsection (a)(2),
25 commencing with fiscal year 2020, in any fiscal year in which the amount
26 of selected actual state general fund receipts less increases in payments to
27 the Kansas public employees retirement system required pursuant to
28 K.S.A. 74-4914d, 74-4920, 74-4939 and 74-4967, and amendments
29 thereto, or any other statute from such fiscal year exceeds the selected
30 actual state general fund receipts for the immediately preceding fiscal year
31 by more than 2.5%, the director of legislative research shall certify such
32 excess amount, in dollars, to the secretary of revenue and the director of
33 the budget. Upon receipt of such certified amount, the secretary shall
34 compute the income tax rate reductions to go into effect for the next tax
35 year that would reduce by such certified amount, in dollars, the tax rates
36 during the next tax year according to the provisions of this section. The
37 secretary shall compute any income tax rate reductions so that any excess
38 amount is applied such that an equal number of dollars are used to lower
39 all individual income tax rates in K.S.A. 79-32,110, and amendments
40 thereto. In any such computation by the secretary pursuant to this
41 subsection the resulting income tax rate shall be rounded down to the
42 nearest 0.01%. Based on all such determinations, the secretary shall reduce
43 individual income tax rates prescribed by K.S.A. 79-32,110, and

1 amendments thereto, as required by this section;

2 (B) upon all individual marginal income tax rates being reduced to
3 0% pursuant to the provisions of subsection (a)(1)(A), rate reduction next
4 shall be applied for the surtax on corporations applicable to the current tax
5 year by such excess amount. Based on such determination, the secretary
6 shall reduce the surtax on corporations prescribed by K.S.A. 79-32,110,
7 and amendments thereto, as required by this section; and

8 (C) upon the surtax on corporations being reduced to a rate which
9 when combined with the normal tax rate on corporations is equal to or
10 below the combined surtax and normal tax imposed on national banking
11 associations and state banks or is equal to or below the combined surtax
12 and normal tax imposed on trust companies and savings and loan
13 associations, rate reductions shall be proportionately applied for the tax on
14 corporations, the tax on national banking associations and state banks, and
15 the tax on trust companies and savings and loan associations. Such rate
16 reductions shall be first applied to the surtax until reduced to 0% and then
17 applied to the normal tax for each such tax. Based on such determination,
18 the secretary shall reduce the surtax and the normal tax on corporations
19 prescribed by K.S.A. 79-32,110, and amendments thereto, the surtax and
20 normal tax on national banking associations and state banks prescribed by
21 K.S.A. 79-1107, and amendments thereto, and the surtax and normal tax
22 on trust companies and savings and loan associations prescribed by K.S.A.
23 79-1108, and amendments thereto, as required by this section.

24 (2) In any fiscal year in which the amount of selected actual state
25 general fund receipts less increases in payments to the Kansas public
26 employees retirement system required pursuant to K.S.A. 74-4914d, 74-
27 4920, 74-4939 and 74-4967, and amendments thereto, or any other statute
28 for such fiscal year are 102.5% or less than the selected actual state
29 general fund receipts from the immediately preceding fiscal year, the
30 director of legislative research shall certify such amount and fact to the
31 secretary of revenue and the director of the budget. Upon receipt of such
32 amount and fact, the secretary of revenue shall not make any adjustment to
33 the income tax rates for that tax year.

34 (b) The secretary of revenue shall report any reduction in income tax
35 rates prescribed by this section to the chairperson of the assessment and
36 taxation committee of the senate, the chairperson of the taxation
37 committee of the house of representatives and the governor, and shall
38 cause notice of any such reduction to be published in the Kansas register
39 prior to September 15 of the calendar year immediately preceding the tax
40 year in which such reduction takes effect.

41 (c) As used in this section, "selected actual state general fund
42 receipts" means receipts from the following taxes and fees: Individual and
43 corporation income taxes imposed under K.S.A. 79-32,110, and

1 amendments thereto, financial institutions privilege taxes imposed under
2 article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments
3 thereto, retail sales taxes imposed under K.S.A. 79-3601 et seq., and
4 amendments thereto, compensating use taxes imposed under K.S.A. 79-
5 3701 et seq., and amendments thereto, cigarette and tobacco product taxes
6 imposed under K.S.A. 79-3301 et seq., and amendments thereto, cereal
7 malt beverage and liquor gallonage taxes imposed under K.S.A. 41-501 et
8 seq., and amendments thereto, liquor enforcement taxes imposed under
9 K.S.A. 79-4101 et seq., and amendments thereto, liquor drink taxes
10 imposed under K.S.A. 79-41a01 et seq., and amendments thereto,
11 corporation franchise taxes imposed under K.S.A. 79-5401, and
12 amendments thereto, annual franchise fees charged pursuant to law and
13 mineral severance taxes imposed under K.S.A. 79-4216 et seq., and
14 amendments thereto. *"Selected actual state general fund receipts" shall*
15 *not include receipts from qualified income, as defined in section 2, and*
16 *amendments thereto.*

17 Sec. 6. K.S.A. 2016 Supp. 79-3602 is hereby amended to read as
18 follows: 79-3602. Except as otherwise provided, as used in the Kansas
19 retailers' sales tax act:

20 (a) "Agent" means a person appointed by a seller to represent the
21 seller before the member states.

22 (b) "Agreement" means the multistate agreement entitled the
23 streamlined sales and use tax agreement approved by the streamlined sales
24 tax implementing states at Chicago, Illinois on November 12, 2002.

25 (c) "Alcoholic beverages" means beverages that are suitable for
26 human consumption and contain 0.05% or more of alcohol by volume.

27 (d) "Certified automated system (CAS)" means software certified
28 under the agreement to calculate the tax imposed by each jurisdiction on a
29 transaction, determine the amount of tax to remit to the appropriate state
30 and maintain a record of the transaction.

31 (e) "Certified service provider (CSP)" means an agent certified under
32 the agreement to perform all the seller's sales and use tax functions, other
33 than the seller's obligation to remit tax on its own purchases.

34 (f) "Computer" means an electronic device that accepts information
35 in digital or similar form and manipulates it for a result based on a
36 sequence of instructions.

37 (g) "Computer software" means a set of coded instructions designed
38 to cause a computer or automatic data processing equipment to perform a
39 task.

40 (h) "Delivered electronically" means delivered to the purchaser by
41 means other than tangible storage media.

42 (i) "Delivery charges" means charges by the seller of personal
43 property or services for preparation and delivery to a location designated

1 by the purchaser of personal property or services including, but not limited
2 to, transportation, shipping, postage, handling, crating and packing.
3 Delivery charges shall not include charges for delivery of direct mail if the
4 charges are separately stated on an invoice or similar billing document
5 given to the purchaser.

6 (j) "Direct mail" means printed material delivered or distributed by
7 United States mail or other delivery services to a mass audience or to
8 addressees on a mailing list provided by the purchaser or at the direction of
9 the purchaser when the cost of the items are not billed directly to the
10 recipients. Direct mail includes tangible personal property supplied
11 directly or indirectly by the purchaser to the direct mail seller for inclusion
12 in the package containing the printed material. Direct mail does not
13 include multiple items of printed material delivered to a single address.

14 (k) "Director" means the state director of taxation.

15 (l) "Educational institution" means any nonprofit school, college and
16 university that offers education at a level above the 12th grade, and
17 conducts regular classes and courses of study required for accreditation by,
18 or membership in, the North Central Association of Colleges and Schools,
19 the state board of education, or that otherwise qualify as an "educational
20 institution," as defined by K.S.A. 74-50,103, and amendments thereto.
21 Such phrase shall include: (1) A group of educational institutions that
22 operates exclusively for an educational purpose; (2) nonprofit endowment
23 associations and foundations organized and operated exclusively to
24 receive, hold, invest and administer moneys and property as a permanent
25 fund for the support and sole benefit of an educational institution; (3)
26 nonprofit trusts, foundations and other entities organized and operated
27 principally to hold and own receipts from intercollegiate sporting events
28 and to disburse such receipts, as well as grants and gifts, in the interest of
29 collegiate and intercollegiate athletic programs for the support and sole
30 benefit of an educational institution; and (4) nonprofit trusts, foundations
31 and other entities organized and operated for the primary purpose of
32 encouraging, fostering and conducting scholarly investigations and
33 industrial and other types of research for the support and sole benefit of an
34 educational institution.

35 (m) "Electronic" means relating to technology having electrical,
36 digital, magnetic, wireless, optical, electromagnetic or similar capabilities.

37 (n) "Food and food ingredients" means substances, whether in liquid,
38 concentrated, solid, frozen, dried or dehydrated form, that are sold for
39 ingestion or chewing by humans and are consumed for their taste or
40 nutritional value. "Food and food ingredients" does not include alcoholic
41 beverages ~~or~~, tobacco, *candy, dietary supplements, soft drinks or food sold*
42 *through vending machines. "Food and food ingredients" does include*
43 *bottled water.*

1 (o) "Gross receipts" means the total selling price or the amount
2 received as defined in this act, in money, credits, property or other
3 consideration valued in money from sales at retail within this state; and
4 embraced within the provisions of this act. The taxpayer, may take credit
5 in the report of gross receipts for: (1) An amount equal to the selling price
6 of property returned by the purchaser when the full sale price thereof,
7 including the tax collected, is refunded in cash or by credit; and (2) an
8 amount equal to the allowance given for the trade-in of property.

9 (p) "Ingredient or component part" means tangible personal property
10 which is necessary or essential to, and which is actually used in and
11 becomes an integral and material part of tangible personal property or
12 services produced, manufactured or compounded for sale by the producer,
13 manufacturer or compounder in its regular course of business. The
14 following items of tangible personal property are hereby declared to be
15 ingredients or component parts, but the listing of such property shall not be
16 deemed to be exclusive nor shall such listing be construed to be a
17 restriction upon, or an indication of, the type or types of property to be
18 included within the definition of "ingredient or component part" as herein
19 set forth:

20 (1) Containers, labels and shipping cases used in the distribution of
21 property produced, manufactured or compounded for sale which are not to
22 be returned to the producer, manufacturer or compounder for reuse.

23 (2) Containers, labels, shipping cases, paper bags, drinking straws,
24 paper plates, paper cups, twine and wrapping paper used in the distribution
25 and sale of property taxable under the provisions of this act by wholesalers
26 and retailers and which is not to be returned to such wholesaler or retailer
27 for reuse.

28 (3) Seeds and seedlings for the production of plants and plant
29 products produced for resale.

30 (4) Paper and ink used in the publication of newspapers.

31 (5) Fertilizer used in the production of plants and plant products
32 produced for resale.

33 (6) Feed for animals, fowl and aquatic plants and animals, the
34 primary purpose of which is use in agriculture or aquaculture, as defined in
35 K.S.A. 47-1901, and amendments thereto, the production of food for
36 human consumption, the production of animal, dairy, poultry or aquatic
37 plant and animal products, fiber, fur, or the production of offspring for use
38 for any such purpose or purposes.

39 (q) "Isolated or occasional sale" means the nonrecurring sale of
40 tangible personal property, or services taxable hereunder by a person not
41 engaged at the time of such sale in the business of selling such property or
42 services. Any religious organization which makes a nonrecurring sale of
43 tangible personal property acquired for the purpose of resale shall be

1 deemed to be not engaged at the time of such sale in the business of selling
2 such property. Such term shall include: (1) Any sale by a bank, savings and
3 loan institution, credit union or any finance company licensed under the
4 provisions of the Kansas uniform consumer credit code of tangible
5 personal property which has been repossessed by any such entity; and (2)
6 any sale of tangible personal property made by an auctioneer or agent on
7 behalf of not more than two principals or households if such sale is
8 nonrecurring and any such principal or household is not engaged at the
9 time of such sale in the business of selling tangible personal property.

10 (r) "Lease or rental" means any transfer of possession or control of
11 tangible personal property for a fixed or indeterminate term for
12 consideration. A lease or rental may include future options to purchase or
13 extend.

14 (1) Lease or rental does not include: (A) A transfer of possession or
15 control of property under a security agreement or deferred payment plan
16 that requires the transfer of title upon completion of the required
17 payments;

18 (B) a transfer or possession or control of property under an agreement
19 that requires the transfer of title upon completion of required payments and
20 payment of an option price does not exceed the greater of \$100 or 1% of
21 the total required payments; or

22 (C) providing tangible personal property along with an operator for a
23 fixed or indeterminate period of time. A condition of this exclusion is that
24 the operator is necessary for the equipment to perform as designed. For the
25 purpose of this subsection, an operator must do more than maintain,
26 inspect or set-up the tangible personal property.

27 (2) Lease or rental does include agreements covering motor vehicles
28 and trailers where the amount of consideration may be increased or
29 decreased by reference to the amount realized upon sale or disposition of
30 the property as defined in 26 U.S.C. § 7701(h)(1).

31 (3) This definition shall be used for sales and use tax purposes
32 regardless if a transaction is characterized as a lease or rental under
33 generally accepted accounting principles, the internal revenue code, the
34 uniform commercial code, K.S.A. 84-1-101 et seq., and amendments
35 thereto, or other provisions of federal, state or local law.

36 (4) This definition will be applied only prospectively from the
37 effective date of this act and will have no retroactive impact on existing
38 leases or rentals.

39 (s) "Load and leave" means delivery to the purchaser by use of a
40 tangible storage media where the tangible storage media is not physically
41 transferred to the purchaser.

42 (t) "Member state" means a state that has entered in the agreement,
43 pursuant to provisions of article VIII of the agreement.

1 (u) "Model 1 seller" means a seller that has selected a CSP as its
2 agent to perform all the seller's sales and use tax functions, other than the
3 seller's obligation to remit tax on its own purchases.

4 (v) "Model 2 seller" means a seller that has selected a CAS to
5 perform part of its sales and use tax functions, but retains responsibility for
6 remitting the tax.

7 (w) "Model 3 seller" means a seller that has sales in at least five
8 member states, has total annual sales revenue of at least \$500,000,000, has
9 a proprietary system that calculates the amount of tax due each jurisdiction
10 and has entered into a performance agreement with the member states that
11 establishes a tax performance standard for the seller. As used in this
12 subsection a seller includes an affiliated group of sellers using the same
13 proprietary system.

14 (x) "Municipal corporation" means any city incorporated under the
15 laws of Kansas.

16 (y) "Nonprofit blood bank" means any nonprofit place, organization,
17 institution or establishment that is operated wholly or in part for the
18 purpose of obtaining, storing, processing, preparing for transfusing,
19 furnishing, donating or distributing human blood or parts or fractions of
20 single blood units or products derived from single blood units, whether or
21 not any remuneration is paid therefor, or whether such procedures are done
22 for direct therapeutic use or for storage for future use of such products.

23 (z) "Persons" means any individual, firm, copartnership, joint
24 adventure, association, corporation, estate or trust, receiver or trustee, or
25 any group or combination acting as a unit, and the plural as well as the
26 singular number; and shall specifically mean any city or other political
27 subdivision of the state of Kansas engaging in a business or providing a
28 service specifically taxable under the provisions of this act.

29 (aa) "Political subdivision" means any municipality, agency or
30 subdivision of the state which is, or shall hereafter be, authorized to levy
31 taxes upon tangible property within the state or which certifies a levy to a
32 municipality, agency or subdivision of the state which is, or shall hereafter
33 be, authorized to levy taxes upon tangible property within the state. Such
34 term also shall include any public building commission, housing, airport,
35 port, metropolitan transit or similar authority established pursuant to law
36 and the horsethief reservoir benefit district established pursuant to K.S.A.
37 82a-2201, and amendments thereto.

38 (bb) "Prescription" means an order, formula or recipe issued in any
39 form of oral, written, electronic or other means of transmission by a duly
40 licensed practitioner authorized by the laws of this state.

41 (cc) "Prewritten computer software" means computer software,
42 including prewritten upgrades, which is not designed and developed by the
43 author or other creator to the specifications of a specific purchaser. The

1 combining of two or more prewritten computer software programs or
2 prewritten portions thereof does not cause the combination to be other than
3 prewritten computer software. Prewritten computer software includes
4 software designed and developed by the author or other creator to the
5 specifications of a specific purchaser when it is sold to a person other than
6 the purchaser. Where a person modifies or enhances computer software of
7 which the person is not the author or creator, the person shall be deemed to
8 be the author or creator only of such person's modifications or
9 enhancements. Prewritten computer software or a prewritten portion
10 thereof that is modified or enhanced to any degree, where such
11 modification or enhancement is designed and developed to the
12 specifications of a specific purchaser, remains prewritten computer
13 software, except that where there is a reasonable, separately stated charge
14 or an invoice or other statement of the price given to the purchaser for
15 such modification or enhancement, such modification or enhancement
16 shall not constitute prewritten computer software.

17 (dd) "Property which is consumed" means tangible personal property
18 which is essential or necessary to and which is used in the actual process
19 of and consumed, depleted or dissipated within one year in: (1) The
20 production, manufacture, processing, mining, drilling, refining or
21 compounding of tangible personal property; (2) the providing of services;
22 (3) the irrigation of crops, for sale in the regular course of business; or (4)
23 the storage or processing of grain by a public grain warehouse or other
24 grain storage facility, and which is not reusable for such purpose. The
25 following is a listing of tangible personal property, included by way of
26 illustration but not of limitation, which qualifies as property which is
27 consumed:

28 (A) Insecticides, herbicides, germicides, pesticides, fungicides,
29 fumigants, antibiotics, biologicals, pharmaceuticals, vitamins and
30 chemicals for use in commercial or agricultural production, processing or
31 storage of fruit, vegetables, feeds, seeds, grains, animals or animal
32 products whether fed, injected, applied, combined with or otherwise used;

33 (B) electricity, gas and water; and

34 (C) petroleum products, lubricants, chemicals, solvents, reagents and
35 catalysts.

36 (ee) "Purchase price" applies to the measure subject to use tax and
37 has the same meaning as sales price.

38 (ff) "Purchaser" means a person to whom a sale of personal property
39 is made or to whom a service is furnished.

40 (gg) "Quasi-municipal corporation" means any county, township,
41 school district, drainage district or any other governmental subdivision in
42 the state of Kansas having authority to receive or hold moneys or funds.

43 (hh) "Registered under this agreement" means registration by a seller

1 with the member states under the central registration system provided in
2 article IV of the agreement.

3 (ii) "Retailer" means a seller regularly engaged in the business of
4 selling, leasing or renting tangible personal property at retail or furnishing
5 electrical energy, gas, water, services or entertainment, and selling only to
6 the user or consumer and not for resale.

7 (jj) "Retail sale" or "sale at retail" means any sale, lease or rental for
8 any purpose other than for resale, sublease or subrent.

9 (kk) "Sale" or "sales" means the exchange of tangible personal
10 property, as well as the sale thereof for money, and every transaction,
11 conditional or otherwise, for a consideration, constituting a sale, including
12 the sale or furnishing of electrical energy, gas, water, services or
13 entertainment taxable under the terms of this act and including, except as
14 provided in the following provision, the sale of the use of tangible personal
15 property by way of a lease, license to use or the rental thereof regardless of
16 the method by which the title, possession or right to use the tangible
17 personal property is transferred. The term "sale" or "sales" shall not mean
18 the sale of the use of any tangible personal property used as a dwelling by
19 way of a lease or rental thereof for a term of more than 28 consecutive
20 days.

21 (ll) (1) "Sales or selling price" applies to the measure subject to sales
22 tax and means the total amount of consideration, including cash, credit,
23 property and services, for which personal property or services are sold,
24 leased or rented, valued in money, whether received in money or
25 otherwise, without any deduction for the following:

26 (A) The seller's cost of the property sold;

27 (B) the cost of materials used, labor or service cost, interest, losses,
28 all costs of transportation to the seller, all taxes imposed on the seller and
29 any other expense of the seller;

30 (C) charges by the seller for any services necessary to complete the
31 sale, other than delivery and installation charges;

32 (D) delivery charges; and

33 (E) installation charges.

34 (2) "Sales or selling price" includes consideration received by the
35 seller from third parties if:

36 (A) The seller actually receives consideration from a party other than
37 the purchaser and the consideration is directly related to a price reduction
38 or discount on the sale;

39 (B) the seller has an obligation to pass the price reduction or discount
40 through to the purchaser;

41 (C) the amount of the consideration attributable to the sale is fixed
42 and determinable by the seller at the time of the sale of the item to the
43 purchaser; and

1 (D) one of the following criteria is met:

2 (i) The purchaser presents a coupon, certificate or other
3 documentation to the seller to claim a price reduction or discount where
4 the coupon, certificate or documentation is authorized, distributed or
5 granted by a third party with the understanding that the third party will
6 reimburse any seller to whom the coupon, certificate or documentation is
7 presented;

8 (ii) the purchaser identifies to the seller that the purchaser is a
9 member of a group or organization entitled to a price reduction or
10 discount. A preferred customer card that is available to any patron does not
11 constitute membership in such a group; or

12 (iii) the price reduction or discount is identified as a third party price
13 reduction or discount on the invoice received by the purchaser or on a
14 coupon, certificate or other documentation presented by the purchaser.

15 (3) "Sales or selling price" shall not include:

16 (A) Discounts, including cash, term or coupons that are not
17 reimbursed by a third party that are allowed by a seller and taken by a
18 purchaser on a sale;

19 (B) interest, financing and carrying charges from credit extended on
20 the sale of personal property or services, if the amount is separately stated
21 on the invoice, bill of sale or similar document given to the purchaser;

22 (C) any taxes legally imposed directly on the consumer that are
23 separately stated on the invoice, bill of sale or similar document given to
24 the purchaser;

25 (D) the amount equal to the allowance given for the trade-in of
26 property, if separately stated on the invoice, billing or similar document
27 given to the purchaser; and

28 (E) commencing on July 1, 2006, and ending on June 30, 2009, cash
29 rebates granted by a manufacturer to a purchaser or lessee of a new motor
30 vehicle if paid directly to the retailer as a result of the original sale.

31 (mm) "Seller" means a person making sales, leases or rentals of
32 personal property or services.

33 (nn) "Service" means those services described in and taxed under the
34 provisions of K.S.A. 79-3603, and amendments thereto.

35 (oo) "Sourcing rules" means the rules set forth in K.S.A. 2016 Supp.
36 79-3670 through 79-3673, K.S.A. 12-191 and 12-191a, and amendments
37 thereto, which shall apply to identify and determine the state and local
38 taxing jurisdiction sales or use taxes to pay, or collect and remit on a
39 particular retail sale.

40 (pp) "Tangible personal property" means personal property that can
41 be seen, weighed, measured, felt or touched, or that is in any other manner
42 perceptible to the senses. Tangible personal property includes electricity,
43 water, gas, steam and prewritten computer software.

1 (qq) "Taxpayer" means any person obligated to account to the
2 director for taxes collected under the terms of this act.

3 (rr) "Tobacco" means cigarettes, cigars, chewing or pipe tobacco or
4 any other item that contains tobacco.

5 (ss) "Entity-based exemption" means an exemption based on who
6 purchases the product or who sells the product. An exemption that is
7 available to all individuals shall not be considered an entity-based
8 exemption.

9 (tt) "Over-the-counter" drug means a drug that contains a label that
10 identifies the product as a drug as required by 21 C.F.R. § 201.66. The
11 over-the-counter drug label includes: (1) A drug facts panel; or (2) a
12 statement of the active ingredients with a list of those ingredients
13 contained in the compound, substance or preparation. Over-the-counter
14 drugs do not include grooming and hygiene products such as soaps,
15 cleaning solutions, shampoo, toothpaste, antiperspirants and sun tan
16 lotions and screens.

17 (uu) "Ancillary services" means services that are associated with or
18 incidental to the provision of telecommunications services, including, but
19 not limited to, detailed telecommunications billing, directory assistance,
20 vertical service and voice mail services.

21 (vv) "Conference bridging service" means an ancillary service that
22 links two or more participants of an audio or video conference call and
23 may include the provision of a telephone number. Conference bridging
24 service does not include the telecommunications services used to reach the
25 conference bridge.

26 (ww) "Detailed telecommunications billing service" means an
27 ancillary service of separately stating information pertaining to individual
28 calls on a customer's billing statement.

29 (xx) "Directory assistance" means an ancillary service of providing
30 telephone number information or address information, or both.

31 (yy) "Vertical service" means an ancillary service that is offered in
32 connection with one or more telecommunications services, which offers
33 advanced calling features that allow customers to identify callers and to
34 manage multiple calls and call connections, including conference bridging
35 services.

36 (zz) "Voice mail service" means an ancillary service that enables the
37 customer to store, send or receive recorded messages. Voice mail service
38 does not include any vertical services that the customer may be required to
39 have in order to utilize the voice mail service.

40 (aaa) "Telecommunications service" means the electronic
41 transmission, conveyance or routing of voice, data, audio, video or any
42 other information or signals to a point, or between or among points. The
43 term telecommunications service includes such transmission, conveyance

1 or routing in which computer processing applications are used to act on the
2 form, code or protocol of the content for purposes of transmissions,
3 conveyance or routing without regard to whether such service is referred to
4 as voice over internet protocol services or is classified by the federal
5 communications commission as enhanced or value added.
6 Telecommunications service does not include:

7 (1) Data processing and information services that allow data to be
8 generated, acquired, stored, processed or retrieved and delivered by an
9 electronic transmission to a purchaser where such purchaser's primary
10 purpose for the underlying transaction is the processed data or
11 information;

12 (2) installation or maintenance of wiring or equipment on a
13 customer's premises;

14 (3) tangible personal property;

15 (4) advertising, including, but not limited to, directory advertising;

16 (5) billing and collection services provided to third parties;

17 (6) internet access service;

18 (7) radio and television audio and video programming services,
19 regardless of the medium, including the furnishing of transmission,
20 conveyance and routing of such services by the programming service
21 provider. Radio and television audio and video programming services shall
22 include, but not be limited to, cable service as defined in 47 U.S.C. §
23 522(6) and audio and video programming services delivered by
24 commercial mobile radio service providers, as defined in 47 C.F.R. § 20.3;

25 (8) ancillary services; or

26 (9) digital products delivered electronically, including, but not limited
27 to, software, music, video, reading materials or ring tones.

28 (bbb) "800 service" means a telecommunications service that allows a
29 caller to dial a toll-free number without incurring a charge for the call. The
30 service is typically marketed under the name 800, 855, 866, 877 and 888
31 toll-free calling, and any subsequent numbers designated by the federal
32 communications commission.

33 (ccc) "900 service" means an inbound toll telecommunications
34 service purchased by a subscriber that allows the subscriber's customers to
35 call in to the subscriber's prerecorded announcement or live service. 900
36 service does not include the charge for collection services provided by the
37 seller of the telecommunications services to the subscriber, or service or
38 product sold by the subscriber to the subscriber's customer. The service is
39 typically marketed under the name 900 service, and any subsequent
40 numbers designated by the federal communications commission.

41 (ddd) "Value-added non-voice data service" means a service that
42 otherwise meets the definition of telecommunications services in which
43 computer processing applications are used to act on the form, content,

1 code or protocol of the information or data primarily for a purpose other
2 than transmission, conveyance or routing.

3 (eee) "International" means a telecommunications service that
4 originates or terminates in the United States and terminates or originates
5 outside the United States, respectively. United States includes the District
6 of Columbia or a U.S. territory or possession.

7 (fff) "Interstate" means a telecommunications service that originates
8 in one United States state, or a United States territory or possession, and
9 terminates in a different United States state or a United States territory or
10 possession.

11 (ggg) "Intrastate" means a telecommunications service that originates
12 in one United States state or a United States territory or possession, and
13 terminates in the same United States state or a United States territory or
14 possession.

15 (*hhh*) *"Bottled water" means water that is placed in a safety sealed*
16 *container or packaged for human consumption. "Bottled water" is calorie*
17 *free and does not contain sweeteners or other additives, except that it may*
18 *contain:*

19 (1) *Antimicrobial agents;*

20 (2) *fluoride;*

21 (3) *carbonation;*

22 (4) *vitamins, minerals and electrolytes;*

23 (5) *oxygen;*

24 (6) *preservatives; and*

25 (7) *only those flavors, extracts or essences derived from a spice or*
26 *fruit.*

27 *"Bottled water" includes water that is delivered to the buyer in a*
28 *reusable container that is not sold with the water.*

29 (iii) *"Candy" means a preparation of sugar, honey or other natural or*
30 *artificial sweeteners in combination with chocolate, fruits, nuts or other*
31 *ingredients or flavorings in the form of bars, drops or pieces. "Candy"*
32 *shall not include any preparation containing flour and shall require no*
33 *refrigeration.*

34 (*jjj*) *"Food sold through vending machines" means food dispensed*
35 *from a machine or other mechanical device that accepts payment.*

36 (*lll*) *"Prepared food" means:*

37 (1) *Food sold in a heated state or heated by the seller;*

38 (2) *two or more food ingredients mixed or combined by the seller for*
39 *sale as a single item; or*

40 (3) *food sold with eating utensils provided by the seller, including*
41 *plates, knives, forks, spoons, glasses, cups, napkins or straws. A plate*
42 *does not include a container or packaging used to transport the food.*

43 *"Prepared food" does not include food that is only cut, repackaged or*

1 pasteurized by the seller, and eggs, fish, meat, poultry and foods
2 containing these raw animal foods requiring cooking by the consumer as
3 recommended by the food and drug administration in chapter 3, part
4 401.11 of its food code so as to prevent food borne illnesses.

5 (mmm) "Soft drinks" means nonalcoholic beverages that contain
6 natural or artificial sweeteners. "Soft drinks" does not include beverages
7 that contain milk or milk products, soy, rice or similar milk substitutes, or
8 greater than 50% of vegetable or fruit juice by volume.

9 (nnn) "Dietary supplement" shall have the same meaning ascribed to
10 it as in K.S.A. 79-3606(jjj), and amendments thereto.

11 Sec. 7. K.S.A. 2016 Supp. 79-3603 is hereby amended to read as
12 follows: 79-3603. For the privilege of engaging in the business of selling
13 tangible personal property at retail in this state or rendering or furnishing
14 any of the services taxable under this act, there is hereby levied and there
15 shall be collected and paid a tax at the rate of 6.15%, and commencing
16 July 1, 2015, at the rate of 6.5%, *except that commencing on July 1, 2017,*
17 *the rate on food and food ingredients shall be as determined by section 3,*
18 *and amendments thereto.* Within a redevelopment district established
19 pursuant to K.S.A. 74-8921, and amendments thereto, there is hereby
20 levied and there shall be collected and paid an additional tax at the rate of
21 2% until the earlier of the date the bonds issued to finance or refinance the
22 redevelopment project have been paid in full or the final scheduled
23 maturity of the first series of bonds issued to finance any part of the
24 project upon:

25 (a) The gross receipts received from the sale of tangible personal
26 property at retail within this state;

27 (b) the gross receipts from intrastate, interstate or international
28 telecommunications services and any ancillary services sourced to this
29 state in accordance with K.S.A. 2016 Supp. 79-3673, and amendments
30 thereto, except that telecommunications service does not include: (1) Any
31 interstate or international 800 or 900 service; (2) any interstate or
32 international private communications service as defined in K.S.A. 2016
33 Supp. 79-3673, and amendments thereto; (3) any value-added nonvoice
34 data service; (4) any telecommunication service to a provider of
35 telecommunication services which will be used to render
36 telecommunications services, including carrier access services; or (5) any
37 service or transaction defined in this section among entities classified as
38 members of an affiliated group as provided by section 1504 of the federal
39 internal revenue code of 1986, as in effect on January 1, 2001;

40 (c) the gross receipts from the sale or furnishing of gas, water,
41 electricity and heat, which sale is not otherwise exempt from taxation
42 under the provisions of this act, and whether furnished by municipally or
43 privately owned utilities, except that, on and after January 1, 2006, for

1 sales of gas, electricity and heat delivered through mains, lines or pipes to
2 residential premises for noncommercial use by the occupant of such
3 premises, and for agricultural use and also, for such use, all sales of
4 propane gas, the state rate shall be 0%; and for all sales of propane gas, LP
5 gas, coal, wood and other fuel sources for the production of heat or
6 lighting for noncommercial use of an occupant of residential premises, the
7 state rate shall be 0%, but such tax shall not be levied and collected upon
8 the gross receipts from: (1) The sale of a rural water district benefit unit;
9 (2) a water system impact fee, system enhancement fee or similar fee
10 collected by a water supplier as a condition for establishing service; or (3)
11 connection or reconnection fees collected by a water supplier;

12 (d) the gross receipts from the sale of meals or drinks furnished at any
13 private club, drinking establishment, catered event, restaurant, eating
14 house, dining car, hotel, drugstore or other place where meals or drinks are
15 regularly sold to the public;

16 (e) the gross receipts from the sale of admissions to any place
17 providing amusement, entertainment or recreation services including
18 admissions to state, county, district and local fairs, but such tax shall not
19 be levied and collected upon the gross receipts received from sales of
20 admissions to any cultural and historical event which occurs triennially;

21 (f) the gross receipts from the operation of any coin-operated device
22 dispensing or providing tangible personal property, amusement or other
23 services except laundry services, whether automatic or manually operated;

24 (g) the gross receipts from the service of renting of rooms by hotels,
25 as defined by K.S.A. 36-501, and amendments thereto, or by
26 accommodation brokers, as defined by K.S.A. 12-1692, and amendments
27 thereto, but such tax shall not be levied and collected upon the gross
28 receipts received from sales of such service to the federal government and
29 any agency, officer or employee thereof in association with the
30 performance of official government duties;

31 (h) the gross receipts from the service of renting or leasing of tangible
32 personal property except such tax shall not apply to the renting or leasing
33 of machinery, equipment or other personal property owned by a city and
34 purchased from the proceeds of industrial revenue bonds issued prior to
35 July 1, 1973, in accordance with the provisions of K.S.A. 12-1740 through
36 12-1749, and amendments thereto, and any city or lessee renting or leasing
37 such machinery, equipment or other personal property purchased with the
38 proceeds of such bonds who shall have paid a tax under the provisions of
39 this section upon sales made prior to July 1, 1973, shall be entitled to a
40 refund from the sales tax refund fund of all taxes paid thereon;

41 (i) the gross receipts from the rendering of dry cleaning, pressing,
42 dyeing and laundry services except laundry services rendered through a
43 coin-operated device whether automatic or manually operated;

1 (j) the gross receipts from the rendering of the services of washing
2 and washing and waxing of vehicles;

3 (k) the gross receipts from cable, community antennae and other
4 subscriber radio and television services;

5 (l) (1) except as otherwise provided by paragraph (2), the gross
6 receipts received from the sales of tangible personal property to all
7 contractors, subcontractors or repairmen for use by them in erecting
8 structures, or building on, or otherwise improving, altering, or repairing
9 real or personal property.

10 (2) Any such contractor, subcontractor or repairman who maintains
11 an inventory of such property both for sale at retail and for use by them for
12 the purposes described by paragraph (1) shall be deemed a retailer with
13 respect to purchases for and sales from such inventory, except that the
14 gross receipts received from any such sale, other than a sale at retail, shall
15 be equal to the total purchase price paid for such property and the tax
16 imposed thereon shall be paid by the deemed retailer;

17 (m) the gross receipts received from fees and charges by public and
18 private clubs, drinking establishments, organizations and businesses for
19 participation in sports, games and other recreational activities, but such tax
20 shall not be levied and collected upon the gross receipts received from: (1)
21 Fees and charges by any political subdivision, by any organization exempt
22 from property taxation pursuant to K.S.A. 79-201 *Ninth*, and amendments
23 thereto, or by any youth recreation organization exclusively providing
24 services to persons 18 years of age or younger which is exempt from
25 federal income taxation pursuant to section 501(c)(3) of the federal
26 internal revenue code of 1986, for participation in sports, games and other
27 recreational activities; and (2) entry fees and charges for participation in a
28 special event or tournament sanctioned by a national sporting association
29 to which spectators are charged an admission which is taxable pursuant to
30 subsection (e);

31 (n) the gross receipts received from dues charged by public and
32 private clubs, drinking establishments, organizations and businesses,
33 payment of which entitles a member to the use of facilities for recreation
34 or entertainment, but such tax shall not be levied and collected upon the
35 gross receipts received from: (1) Dues charged by any organization exempt
36 from property taxation pursuant to K.S.A. 79-201 *Eighth* and *Ninth*, and
37 amendments thereto; and (2) sales of memberships in a nonprofit
38 organization which is exempt from federal income taxation pursuant to
39 section 501(c)(3) of the federal internal revenue code of 1986, and whose
40 purpose is to support the operation of a nonprofit zoo;

41 (o) the gross receipts received from the isolated or occasional sale of
42 motor vehicles or trailers but not including: (1) The transfer of motor
43 vehicles or trailers by a person to a corporation or limited liability

1 company solely in exchange for stock securities or membership interest in
2 such corporation or limited liability company; (2) the transfer of motor
3 vehicles or trailers by one corporation or limited liability company to
4 another when all of the assets of such corporation or limited liability
5 company are transferred to such other corporation or limited liability
6 company; or (3) the sale of motor vehicles or trailers which are subject to
7 taxation pursuant to the provisions of K.S.A. 79-5101 et seq., and
8 amendments thereto, by an immediate family member to another
9 immediate family member. For the purposes of paragraph (3), immediate
10 family member means lineal ascendants or descendants, and their spouses.
11 Any amount of sales tax paid pursuant to the Kansas retailers sales tax act
12 on the isolated or occasional sale of motor vehicles or trailers on and after
13 July 1, 2004, which the base for computing the tax was the value pursuant
14 to K.S.A. 79-5105(a), (b)(1) and (b)(2), and amendments thereto, when
15 such amount was higher than the amount of sales tax which would have
16 been paid under the law as it existed on June 30, 2004, shall be refunded to
17 the taxpayer pursuant to the procedure prescribed by this section. Such
18 refund shall be in an amount equal to the difference between the amount of
19 sales tax paid by the taxpayer and the amount of sales tax which would
20 have been paid by the taxpayer under the law as it existed on June 30,
21 2004. Each claim for a sales tax refund shall be verified and submitted not
22 later than six months from the effective date of this act to the director of
23 taxation upon forms furnished by the director and shall be accompanied by
24 any additional documentation required by the director. The director shall
25 review each claim and shall refund that amount of tax paid as provided by
26 this act. All such refunds shall be paid from the sales tax refund fund, upon
27 warrants of the director of accounts and reports pursuant to vouchers
28 approved by the director of taxation or the director's designee. No refund
29 for an amount less than \$10 shall be paid pursuant to this act. In
30 determining the base for computing the tax on such isolated or occasional
31 sale, the fair market value of any motor vehicle or trailer traded in by the
32 purchaser to the seller may be deducted from the selling price;

33 (p) the gross receipts received for the service of installing or applying
34 tangible personal property which when installed or applied is not being
35 held for sale in the regular course of business, and whether or not such
36 tangible personal property when installed or applied remains tangible
37 personal property or becomes a part of real estate, except that no tax shall
38 be imposed upon the service of installing or applying tangible personal
39 property in connection with the original construction of a building or
40 facility, the original construction, reconstruction, restoration, remodeling,
41 renovation, repair or replacement of a residence or the construction,
42 reconstruction, restoration, replacement or repair of a bridge or highway.

43 For the purposes of this subsection:

1 (1) "Original construction" shall mean the first or initial construction
2 of a new building or facility. The term "original construction" shall include
3 the addition of an entire room or floor to any existing building or facility,
4 the completion of any unfinished portion of any existing building or
5 facility and the restoration, reconstruction or replacement of a building,
6 facility or utility structure damaged or destroyed by fire, flood, tornado,
7 lightning, explosion, windstorm, ice loading and attendant winds,
8 terrorism or earthquake, but such term, except with regard to a residence,
9 shall not include replacement, remodeling, restoration, renovation or
10 reconstruction under any other circumstances;

11 (2) "building" shall mean only those enclosures within which
12 individuals customarily are employed, or which are customarily used to
13 house machinery, equipment or other property, and including the land
14 improvements immediately surrounding such building;

15 (3) "facility" shall mean a mill, plant, refinery, oil or gas well, water
16 well, feedlot or any conveyance, transmission or distribution line of any
17 cooperative, nonprofit, membership corporation organized under or subject
18 to the provisions of K.S.A. 17-4601 et seq., and amendments thereto, or
19 municipal or quasi-municipal corporation, including the land
20 improvements immediately surrounding such facility;

21 (4) "residence" shall mean only those enclosures within which
22 individuals customarily live;

23 (5) "utility structure" shall mean transmission and distribution lines
24 owned by an independent transmission company or cooperative, the
25 Kansas electric transmission authority or natural gas or electric public
26 utility; and

27 (6) "windstorm" shall mean straight line winds of at least 80 miles per
28 hour as determined by a recognized meteorological reporting agency or
29 organization;

30 (q) the gross receipts received for the service of repairing, servicing,
31 altering or maintaining tangible personal property which when such
32 services are rendered is not being held for sale in the regular course of
33 business, and whether or not any tangible personal property is transferred
34 in connection therewith. The tax imposed by this subsection shall be
35 applicable to the services of repairing, servicing, altering or maintaining an
36 item of tangible personal property which has been and is fastened to,
37 connected with or built into real property;

38 (r) the gross receipts from fees or charges made under service or
39 maintenance agreement contracts for services, charges for the providing of
40 which are taxable under the provisions of subsection (p) or (q);

41 (s) on and after January 1, 2005, the gross receipts received from the
42 sale of prewritten computer software and the sale of the services of
43 modifying, altering, updating or maintaining prewritten computer

1 software, whether the prewritten computer software is installed or
2 delivered electronically by tangible storage media physically transferred to
3 the purchaser or by load and leave;

4 (t) the gross receipts received for telephone answering services;

5 (u) the gross receipts received from the sale of prepaid calling service
6 and prepaid wireless calling service as defined in K.S.A. 2016 Supp. 79-
7 3673, and amendments thereto;

8 (v) all sales of bingo cards, bingo faces and instant bingo tickets by
9 licensees under K.S.A. 2016 Supp. 75-5171 et seq., and amendments
10 thereto, shall be exempt from taxes imposed pursuant to this section; ~~and~~

11 (w) all sales of charitable raffle tickets in accordance with K.S.A.
12 2016 Supp. 75-5171 et seq., and amendments thereto, shall be exempt
13 from taxes imposed pursuant to this section; *and*

14 (x) *commencing on January 1, 2018, and thereafter, the gross*
15 *receipts from the sale of food and food ingredients shall be taxed at the*
16 *rate determined by the secretary of revenue pursuant to section 3, and*
17 *amendments thereto. The provisions of this subsection shall not apply to*
18 *prepared food, unless sold without eating utensils provided by the seller*
19 *and described below:*

20 (1) *Food sold by a seller whose proper primary NAICS classification*
21 *is manufacturing in section 311, except for subsector 3118 (bakeries).*

22 (2) (A) *Food sold in an unheated state by weight or volume as a*
23 *single item; or*

24 (B) *only meat or seafood sold in an unheated state by weight or*
25 *volume as a single item.*

26 (3) *Bakery items, including bread, rolls, buns, biscuits, bagels,*
27 *croissants, pastries, donuts, danish, cakes, tortes, pies, tarts, muffins, bars,*
28 *cookies and tortillas.*

29 (4) *Food sold that ordinarily requires additional cooking, as opposed*
30 *to just reheating, by the consumer prior to consumption.*

31 (5) *Bottled water that is not otherwise sold as prepared food.*

32 Sec. 8. K.S.A. 2016 Supp. 79-3620 is hereby amended to read as
33 follows: 79-3620. (a) All revenue collected or received by the director of
34 taxation from the taxes imposed by this act shall be remitted to the state
35 treasurer in accordance with the provisions of K.S.A. 75-4215, and
36 amendments thereto. Upon receipt of each such remittance, the state
37 treasurer shall deposit the entire amount in the state treasury, less amounts
38 withheld as provided in subsection (b) and amounts credited as provided in
39 subsections (c), (d) and (e), to the credit of the state general fund.

40 (b) A refund fund, designated as "sales tax refund fund" not to exceed
41 \$100,000 shall be set apart and maintained by the director from sales tax
42 collections and estimated tax collections and held by the state treasurer for
43 prompt payment of all sales tax refunds. Such fund shall be in such

1 amount, within the limit set by this section, as the director shall determine
2 is necessary to meet current refunding requirements under this act. In the
3 event such fund as established by this section is, at any time, insufficient to
4 provide for the payment of refunds due claimants thereof, the director shall
5 certify the amount of additional funds required to the director of accounts
6 and reports who shall promptly transfer the required amount from the state
7 general fund to the sales tax refund fund, and notify the state treasurer,
8 who shall make proper entry in the records.

9 (c) (1) On July 1, 2010, the state treasurer shall credit 11.427% of the
10 revenue collected and received from the tax imposed by K.S.A. 79-3603,
11 and amendments thereto, at the rate of 6.3%, and deposited as provided by
12 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
13 the state highway fund.

14 (2) On July 1, 2011, the state treasurer shall credit 11.26% of the
15 revenue collected and received from the tax imposed by K.S.A. 79-3603,
16 and amendments thereto, at the rate of 6.3%, and deposited as provided by
17 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
18 the state highway fund.

19 (3) On July 1, 2012, the state treasurer shall credit 11.233% of the
20 revenue collected and received from the tax imposed by K.S.A. 79-3603,
21 and amendments thereto, at the rate of 6.3%, and deposited as provided by
22 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
23 the state highway fund.

24 (4) On July 1, 2013, the state treasurer shall credit 17.073% of the
25 revenue collected and received from the tax imposed by K.S.A. 79-3603,
26 and amendments thereto, at the rate of 6.15%, and deposited as provided
27 by subsection (a), exclusive of amounts credited pursuant to subsection
28 (d), in the state highway fund.

29 (5) On July 1, 2015, the state treasurer shall credit 16.226% of the
30 revenue collected and received from the tax imposed by K.S.A. 79-3603,
31 and amendments thereto, at the rate of 6.5%, and deposited as provided by
32 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
33 the state highway fund.

34 (6) On July 1, 2016, ~~and thereafter~~, the state treasurer shall credit
35 16.154% of the revenue collected and received from the tax imposed by
36 K.S.A. 79-3603, and amendments thereto, at the rate of 6.5%, and
37 deposited as provided by subsection (a), exclusive of amounts credited
38 pursuant to subsection (d), in the state highway fund.

39 (7) *On July 1, 2017, and thereafter, the state treasurer shall credit*
40 *16.154% of the revenue collected and received from the tax imposed by*
41 *K.S.A. 79-3603, and amendments thereto, at the rates prescribed by that*
42 *section, and deposited as provided by subsection (a), exclusive of amounts*
43 *credited pursuant to subsection (d), in the state highway fund.*

1 (d) The state treasurer shall credit all revenue collected or received
2 from the tax imposed by K.S.A. 79-3603, and amendments thereto, as
3 certified by the director, from taxpayers doing business within that portion
4 of a STAR bond project district occupied by a STAR bond project or
5 taxpayers doing business with such entity financed by a STAR bond
6 project as defined in K.S.A. 2016 Supp. 12-17,162, and amendments
7 thereto, that was determined by the secretary of commerce to be of
8 statewide as well as local importance or will create a major tourism area
9 for the state or the project was designated as a STAR bond project as
10 defined in K.S.A. 2016 Supp. 12-17,162, and amendments thereto, to the
11 city bond finance fund, which fund is hereby created. The provisions of
12 this subsection shall expire when the total of all amounts credited
13 hereunder and under K.S.A. 79-3710(d), and amendments thereto, is
14 sufficient to retire the special obligation bonds issued for the purpose of
15 financing all or a portion of the costs of such STAR bond project.

16 (e) All revenue certified by the director of taxation as having been
17 collected or received from the tax imposed by K.S.A. 79-3603(c), and
18 amendments thereto, on the sale or furnishing of gas, water, electricity and
19 heat for use or consumption within the intermodal facility district
20 described in this subsection, shall be credited by the state treasurer to the
21 state highway fund. Such revenue may be transferred by the secretary of
22 transportation to the rail service improvement fund pursuant to law. The
23 provisions of this subsection shall take effect upon certification by the
24 secretary of transportation that a notice to proceed has been received for
25 the construction of the improvements within the intermodal facility
26 district, but not later than December 31, 2010, and shall expire when the
27 secretary of revenue determines that the total of all amounts credited
28 hereunder and pursuant to K.S.A. 79-3710(e), and amendments thereto, is
29 equal to \$53,300,000, but not later than December 31, 2045. Thereafter, all
30 revenues shall be collected and distributed in accordance with applicable
31 law. For all tax reporting periods during which the provisions of this
32 subsection are in effect, none of the exemptions contained in K.S.A. 79-
33 3601 et seq., and amendments thereto, shall apply to the sale or furnishing
34 of any gas, water, electricity and heat for use or consumption within the
35 intermodal facility district. As used in this subsection, "intermodal facility
36 district" shall consist of an intermodal transportation area as defined by
37 K.S.A. 12-1770a(o), and amendments thereto, located in Johnson county
38 within the polygonal-shaped area having Waverly Road as the eastern
39 boundary, 191st Street as the southern boundary, Four Corners Road as the
40 western boundary, and Highway 56 as the northern boundary, and the
41 polygonal-shaped area having Poplar Road as the eastern boundary, 183rd
42 Street as the southern boundary, Waverly Road as the western boundary,
43 and the BNSF mainline track as the northern boundary, that includes

1 capital investment in an amount exceeding \$150 million for the
2 construction of an intermodal facility to handle the transfer, storage and
3 distribution of freight through railway and trucking operations.

4 Sec. 9. K.S.A. 2016 Supp. 79-3703 is hereby amended to read as
5 follows: 79-3703. There is hereby levied and there shall be collected from
6 every person in this state a tax or excise for the privilege of using, storing,
7 or consuming within this state any article of tangible personal property.
8 Such tax shall be levied and collected in an amount equal to the
9 consideration paid by the taxpayer multiplied by the rate of 6.5%, *except*
10 *that commencing on July 1, 2017, such rate on food and food ingredients*
11 *shall be as determined by section 3, and amendments thereto.* Within a
12 redevelopment district established pursuant to K.S.A. 74-8921, and
13 amendments thereto, there is hereby levied and there shall be collected and
14 paid an additional tax of 2% until the earlier of: (1) The date the bonds
15 issued to finance or refinance the redevelopment project undertaken in the
16 district have been paid in full; or (2) the final scheduled maturity of the
17 first series of bonds issued to finance the redevelopment project. All
18 property purchased or leased within or without this state and subsequently
19 used, stored or consumed in this state shall be subject to the compensating
20 tax if the same property or transaction would have been subject to the
21 Kansas retailers' sales tax had the transaction been wholly within this state.

22 Sec. 10. K.S.A. 2016 Supp. 79-3710 is hereby amended to read as
23 follows: 79-3710. (a) All revenue collected or received by the director
24 under the provisions of this act shall be remitted to the state treasurer in
25 accordance with the provisions of K.S.A. 75-4215, and amendments
26 thereto. Upon receipt of each such remittance, the state treasurer shall
27 deposit the entire amount in the state treasury, less amounts set apart as
28 provided in subsection (b) and amounts credited as provided in subsection
29 (c), (d) and (e), to the credit of the state general fund.

30 (b) A revolving fund, designated as "compensating tax refund fund"
31 not to exceed \$10,000 shall be set apart and maintained by the director
32 from compensating tax collections and estimated tax collections and held
33 by the state treasurer for prompt payment of all compensating tax refunds.
34 Such fund shall be in such amount, within the limit set by this section, as
35 the director shall determine is necessary to meet current refunding
36 requirements under this act.

37 (c) (1) On July 1, 2010, the state treasurer shall credit 11.427% of the
38 revenue collected and received from the tax imposed by K.S.A. 79-3703,
39 and amendments thereto, at the rate of 6.3%, and deposited as provided by
40 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
41 the state highway fund.

42 (2) On July 1, 2011, the state treasurer shall credit 11.26% of the
43 revenue collected and received from the tax imposed by K.S.A. 79-3703,

1 and amendments thereto, at the rate of 6.3%, and deposited as provided by
2 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
3 the state highway fund.

4 (3) On July 1, 2012, the state treasurer shall credit 11.233% of the
5 revenue collected and received from the tax imposed by K.S.A. 79-3703,
6 and amendments thereto, at the rate of 6.3%, and deposited as provided by
7 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
8 the state highway fund.

9 (4) On July 1, 2013, the state treasurer shall credit 17.073% of the
10 revenue collected and received from the tax imposed by K.S.A. 79-3703,
11 and amendments thereto, at the rate of 6.15%, and deposited as provided
12 by subsection (a), exclusive of amounts credited pursuant to subsection
13 (d), in the state highway fund.

14 (5) On July 1, 2015, the state treasurer shall credit 16.226% of the
15 revenue collected and received from the tax imposed by K.S.A. 79-3703,
16 and amendments thereto, at the rate of 6.5%, and deposited as provided by
17 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
18 the state highway fund.

19 (6) On July 1, 2016, ~~and thereafter~~, the state treasurer shall credit
20 16.154% of the revenue collected and received from the tax imposed by
21 K.S.A. 79-3703, and amendments thereto, at the rate of 6.5%, and
22 deposited as provided by subsection (a), exclusive of amounts credited
23 pursuant to subsection (d), in the state highway fund.

24 (7) *On July 1, 2017, and thereafter, the state treasurer shall credit*
25 *16.154% of the revenue collected and received from the tax imposed by*
26 *K.S.A. 79-3703, and amendments thereto, at the rates prescribed by that*
27 *section, and deposited as provided by subsection (a), exclusive of amounts*
28 *credited pursuant to subsection (d), in the state highway fund.*

29 (d) The state treasurer shall credit all revenue collected or received
30 from the tax imposed by K.S.A. 79-3703, and amendments thereto, as
31 certified by the director, from taxpayers doing business within that portion
32 of a redevelopment district occupied by a redevelopment project that was
33 determined by the secretary of commerce to be of statewide as well as
34 local importance or will create a major tourism area for the state as defined
35 in K.S.A. 12-1770a, and amendments thereto, to the city bond finance
36 fund created by K.S.A. 79-3620(d), and amendments thereto. The
37 provisions of this subsection shall expire when the total of all amounts
38 credited hereunder and under K.S.A. 79-3620(d), and amendments thereto,
39 is sufficient to retire the special obligation bonds issued for the purpose of
40 financing all or a portion of the costs of such redevelopment project.

41 This subsection shall not apply to a project designated as a special bond
42 project as defined in K.S.A. 12-1770a(z), and amendments thereto.

43 (e) All revenue certified by the director of taxation as having been

1 collected or received from the tax imposed by K.S.A. 79-3603(c), and
2 amendments thereto, on the sale or furnishing of gas, water, electricity and
3 heat for use or consumption within the intermodal facility district
4 described in this subsection, shall be credited by the state treasurer to the
5 state highway fund. Such revenue may be transferred by the secretary of
6 transportation to the rail service improvement fund pursuant to law. The
7 provisions of this subsection shall take effect upon certification by the
8 secretary of transportation that a notice to proceed has been received for
9 the construction of the improvements within the intermodal facility
10 district, but not later than December 31, 2010, and shall expire when the
11 secretary of revenue determines that the total of all amounts credited
12 hereunder and pursuant to K.S.A. 79-3620(e), and amendments thereto, is
13 equal to \$53,300,000, but not later than December 31, 2045. Thereafter, all
14 revenues shall be collected and distributed in accordance with applicable
15 law. For all tax reporting periods during which the provisions of this
16 subsection are in effect, none of the exemptions contained in K.S.A. 79-
17 3601 et seq., and amendments thereto, shall apply to the sale or furnishing
18 of any gas, water, electricity and heat for use or consumption within the
19 intermodal facility district. As used in this subsection, "intermodal facility
20 district" shall consist of an intermodal transportation area as defined by
21 K.S.A. 12-1770a(oo), and amendments thereto, located in Johnson county
22 within the polygonal-shaped area having Waverly Road as the eastern
23 boundary, 191st Street as the southern boundary, Four Corners Road as the
24 western boundary, and Highway 56 as the northern boundary, and the
25 polygonal-shaped area having Poplar Road as the eastern boundary, 183rd
26 Street as the southern boundary, Waverly Road as the western boundary,
27 and the BNSF mainline track as the northern boundary, that includes
28 capital investment in an amount exceeding \$150 million for the
29 construction of an intermodal facility to handle the transfer, storage and
30 distribution of freight through railway and trucking operations.

31 Sec. 11. K.S.A. 2016 Supp. 79-32,117, 79-32,269, 79-3602, 79-3603,
32 79-3620, 79-3703 and 79-3710 are hereby repealed.

33 Sec. 12. This act shall take effect and be in force from and after its
34 publication in the statute book.