

HOUSE BILL No. 2667

By Committee on Taxation

2-8

1 AN ACT concerning taxation; relating to income tax, rates; sales taxation,
2 exemptions, rates and distribution of revenue and imposition of tax on
3 certain services; eliminating food sales tax refund; local compensating
4 use tax; duties of secretary of revenue; local property tax reductions;
5 amending K.S.A. 2011 Supp. 12-198, 79-32,110, 79-3602, 79-3603,
6 79-3606, 79-3620, 79-3703 and 79-3710 and repealing the existing
7 sections; also repealing K.S.A. 79-3632, 79-3634, 79-3636 and 79-
8 3638 and K.S.A. 2011 Supp. 79-3606g, 79-3633, 79-3635, 79-3637,
9 79-3639 and 79-3639a.

10

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

12

13 Section 1. On January 1, 2013, K.S.A. 2011 Supp. 12-198 is hereby
14 amended to read as follows: 12-198. (a) A compensating use tax for the
15 privilege of using or storing within a city or county any tangible personal
16 property or any vehicle which is required to be registered under the
17 provisions of article 1 of chapter 8 of the Kansas Statutes Annotated, and
18 amendments thereto, or any vessel, as defined by K.S.A. 82a-802, and
19 amendments thereto, *or using, consuming or realizing the benefits from*
20 *within a city or county any service that would otherwise be subject to*
21 *retailer's sales tax if purchased in this state*, is hereby imposed by every
22 city, county or municipal university imposing a retailers' sales tax. The rate
23 of any such tax shall be fixed at the same rate as such city's, county's or
24 university's retailers' sales tax. Any city, county or municipal university
25 imposing a compensating use tax is prohibited from administering or
26 collecting such tax locally, but shall utilize the services of the state
27 department of revenue to administer, enforce and collect such tax. Such tax
28 shall be identical in its application and exemptions therefrom to the Kansas
29 compensating tax, and all laws and rules and regulations of the state
30 department of revenue relating to the Kansas compensating tax shall apply
31 to such local compensating use tax insofar as the same may be made
32 applicable. If any contractor has entered into a written, binding contract
33 prior to July 1, 2003, for the construction, reconstruction, restoration,
34 replacement, repair, equipment or improvement of a bridge or highway,
35 street, road, alley, sewer, sewage system, water line, water system or other
36 related improvement, and such contract includes the furnishing to or by the
contractor of tangible personal property which is to become part of the

1 completed improvement subject to the tax imposed by this section, and
 2 which would have been exempt from taxation pursuant to this section prior
 3 to its enactment effective on July 1, 2003, such furnishing of tangible
 4 personal property shall continue to be exempt from taxation pursuant to
 5 this section, if the contractor gives notice and proof of such contract to the
 6 director of taxation on or before July 10, 2004. Such notice and proof shall
 7 be in such form and of such sufficiency as the director prescribes.

8 (b) The secretary of revenue is authorized to administer, enforce and
 9 collect a city's, county's or municipal university's compensating use tax
 10 and to adopt such rules and regulations necessary for the efficient and
 11 effective administration, enforcement and collection thereof. The state
 12 director of taxation shall cause such taxes to be collected within the
 13 boundaries of such taxing subdivision at the same time and in the same
 14 manner provided for the collection of the state compensating use tax. All
 15 moneys collected by the director of taxation pursuant to the provisions of
 16 this section shall be credited to the city and county compensating use tax
 17 fund or to the municipal university compensating use tax fund, which
 18 funds are hereby established in the state treasury. Any refund due on any
 19 city's, county's *or* municipal university's compensating use tax collected
 20 pursuant to this section shall be paid out of the sales tax refund fund and
 21 reimbursement to such fund shall be made by the director of taxation from
 22 collections of local compensating use tax revenue. All moneys collected
 23 pursuant to this section for a city or county shall be remitted at least
 24 quarterly by the state treasurer to the treasurer of such city, county or
 25 university.

26 (c) All revenue received by any county treasurer from a countywide
 27 compensating use tax shall be apportioned among the county and each city
 28 located in such county in the same manner as provided in K.S.A. 12-192,
 29 and amendments thereto, for the apportionment of revenue received from a
 30 countywide retailers' sales tax.

31 Sec. 2. K.S.A. 2011 Supp. 79-32,110 is hereby amended to read as
 32 follows: 79-32,110. (a) *Resident Individuals*. Except as otherwise provided
 33 by subsection (a) of K.S.A. 79-3220, and amendments thereto, a tax is
 34 hereby imposed upon the Kansas taxable income of every resident
 35 individual, which tax shall be computed in accordance with the following
 36 tax schedules:

37 (1) *Married individuals filing joint returns.*

38 (A) *For tax year 2011:*

| | |
|---|--|
| 39 If the taxable income is: | The tax is: |
| 40 Not over \$30,000..... | 3.5% of Kansas taxable income |
| 41 Over \$30,000 but not over \$60,000..... | \$1,050 plus 6.25% of excess over \$30,000 |
| 42 Over \$60,000..... | \$2,925 plus 6.45% of excess over \$60,000 |

43 (B) *For tax years 2012 and 2013:*

| | |
|-------------------------------------|--------------------------------------|
| 44 <i>If the taxable income is:</i> | <i>The tax is:</i> |
| 45 <i>Not over \$30,000.....</i> | <i>3.3% of Kansas taxable income</i> |

| | | |
|---|---|---|
| 1 | <i>Over \$30,000 but not over \$60,000.....</i> | <i>\$990 plus 5.9% of excess over \$30,000</i> |
| 2 | <i>Over \$60,000.....</i> | <i>\$2,760 plus 6.25% of excess over \$60,000</i> |

3 (C) For tax year 2014, and all tax years thereafter:

4 If the taxable income is: The tax is:

5 Not over \$30,000..... 3.0% of Kansas taxable income

6 Over \$30,000 but not over \$60,000..... \$900 plus 5.4% of excess over \$30,000

7 Over \$60,000..... \$2,520 plus 5.6% of excess over \$60,000

8 (2) All other individuals.

9 ~~(A) For tax year 1997:~~

10 ~~If the taxable income is: The tax is:~~

11 ~~Not over \$20,000..... 4.1% of Kansas taxable income~~

12 ~~Over \$20,000 but not over \$30,000..... \$820 plus 7.5% of excess over \$20,000~~

13 ~~Over \$30,000..... \$1,570 plus 7.75% of excess over \$30,000~~

14 ~~(B) For tax year 1998, and all tax years thereafter:~~

15 ~~(A) For tax year 2011:~~

16 ~~If the taxable income is: The tax is:~~

17 ~~Not over \$15,000..... 3.5% of Kansas taxable income~~

18 ~~Over \$15,000 but not over \$30,000..... \$525 plus 6.25% of excess over \$15,000~~

19 ~~Over \$30,000..... \$1,462.50 plus 6.45% of excess over \$30,000~~

20 ~~(B) For tax years 2012 and 2013:~~

21 ~~If the taxable income is: The tax is:~~

22 ~~Not over \$15,000..... 3.0% of Kansas taxable income~~

23 ~~Over \$15,000 but not over \$30,000..... \$495 plus 5.9% of excess over \$15,000~~

24 ~~Over \$30,000..... \$1,380 plus 6.25% of excess over \$30,000~~

25 (C) For tax year 2014, and all tax years thereafter:

26 If the taxable income is: The tax is:

27 Not over \$15,000..... 3.0% of Kansas taxable income

28 Over \$15,000 but not over \$30,000..... \$450 plus 5.4% of excess over \$15,000

29 Over \$30,000..... \$1,260 plus 5.6% of excess over \$30,000

30 (b) *Nonresident Individuals.* A tax is hereby imposed upon the Kansas

31 taxable income of every nonresident individual, which tax shall be an

32 amount equal to the tax computed under subsection (a) as if the

33 nonresident were a resident multiplied by the ratio of modified Kansas

34 source income to Kansas adjusted gross income.

35 (c) *Corporations.* A tax is hereby imposed upon the Kansas taxable

36 income of every corporation doing business within this state or deriving

37 income from sources within this state. Such tax shall consist of a normal

38 tax and a surtax and shall be computed as follows:

39 (1) (A) For tax year 2011, the normal tax shall be in an amount

40 equal to 4% of the Kansas taxable income of such corporation; ~~and~~

41 (B) for tax year 2012, the normal tax shall be in an amount equal to

42 3% of the Kansas taxable income of such corporation;

43 (C) for tax year 2013, and all tax years thereafter, the normal tax

44 shall be in an amount equal to 2% of the Kansas taxable income of such

45 corporation pursuant to this subsection; and

46 (2) (A) ~~for tax year 2008, the surtax shall be in an amount equal to~~

47 ~~3.1% of the Kansas taxable income of such corporation in excess of~~

48 ~~\$50,000;~~

1 (B) for tax years ~~2009 and 2010~~ year 2011, the surtax shall be in an
2 amount equal to 3.05% of the Kansas taxable income of such corporation
3 in excess of \$50,000; ~~and~~

4 (B) for tax year 2012, the surtax shall be in an amount equal to 2.5%
5 of the Kansas taxable income of such corporation in excess of \$50,000;
6 and

7 (C) for tax year ~~2011~~ 2013, and all tax years thereafter, the surtax
8 shall be in an amount equal to ~~3%~~ 2% of the Kansas taxable income of
9 such corporation in excess of \$50,000.

10 (d) *Fiduciaries*. A tax is hereby imposed upon the Kansas taxable
11 income of estates and trusts at the rates provided in paragraph (2) of
12 subsection (a) hereof.

13 Sec. 3. On January 1, 2013, K.S.A. 2011 Supp. 79-3602 is hereby
14 amended to read as follows: 79-3602. Except as otherwise provided, as
15 used in the Kansas retailers' sales tax act:

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

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

21 (c) "Alcoholic beverages" means beverages that are suitable for
22 human consumption and contain .05% or more of alcohol by volume.

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

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

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

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

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

38 (i) "Delivery charges" means charges by the seller of personal
39 property or services for preparation and delivery to a location designated
40 by the purchaser of personal property or services including, but not limited
41 to, transportation, shipping, postage, handling, crating and packing.
42 Delivery charges shall not include charges for delivery of direct mail if the
43 charges are separately stated on an invoice or similar billing document

1 given to the purchaser.

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

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

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

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

33 (n) "Food and food ingredients" means substances, whether in liquid,
34 concentrated, solid, frozen, dried or dehydrated form, that are sold for
35 ingestion or chewing by humans and are consumed for their taste or
36 nutritional value. "Food and food ingredients" does not include alcoholic
37 beverages or tobacco.

38 (o) "Gross receipts" means the total selling price or the amount
39 received as defined in this act, in money, credits, property or other
40 consideration valued in money from sales at retail within this state; and
41 embraced within the provisions of this act. The taxpayer, may take credit
42 in the report of gross receipts for: (1) An amount equal to the selling price
43 of property returned by the purchaser when the full sale price thereof,

1 including the tax collected, is refunded in cash or by credit; and (2) an
2 amount equal to the allowance given for the trade-in of property.

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

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

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

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

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

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

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

33 (q) "Isolated or occasional sale" means the nonrecurring sale of
34 tangible personal property, or services taxable hereunder by a person not
35 engaged at the time of such sale in the business of selling such property or
36 services. Any religious organization which makes a nonrecurring sale of
37 tangible personal property acquired for the purpose of resale shall be
38 deemed to be not engaged at the time of such sale in the business of selling
39 such property. Such term shall include: (1) Any sale by a bank, savings and
40 loan institution, credit union or any finance company licensed under the
41 provisions of the Kansas uniform consumer credit code of tangible
42 personal property which has been repossessed by any such entity; and (2)
43 any sale of tangible personal property made by an auctioneer or agent on

1 behalf of not more than two principals or households if such sale is
2 nonrecurring and any such principal or household is not engaged at the
3 time of such sale in the business of selling tangible personal property.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

35 ~~(cc) "Prewritten computer software" means computer software,~~
36 ~~including prewritten upgrades, which is not designed and developed by the~~
37 ~~author or other creator to the specifications of a specific purchaser. The~~
38 ~~combining of two or more prewritten computer software programs or~~
39 ~~prewritten portions thereof does not cause the combination to be other than~~
40 ~~prewritten computer software. Prewritten computer software includes~~
41 ~~software designed and developed by the author or other creator to the~~
42 ~~specifications of a specific purchaser when it is sold to a person other than~~
43 ~~the purchaser. Where a person modifies or enhances computer software of~~

1 which the person is not the author or creator, the person shall be deemed to
2 be the author or creator only of such person's modifications or
3 enhancements. Prewritten computer software or a prewritten portion
4 thereof that is modified or enhanced to any degree, where such
5 modification or enhancement is designed and developed to the
6 specifications of a specific purchaser, remains prewritten computer
7 software, except that where there is a reasonable, separately stated charge
8 or an invoice or other statement of the price given to the purchaser for
9 such modification or enhancement, such modification or enhancement
10 shall not constitute prewritten computer software.

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

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

27 (B) electricity, gas and water; and

28 (C) petroleum products, lubricants, chemicals, solvents, reagents and
29 catalysts.

30 ~~(ee)~~*(dd)* "Purchase price" applies to the measure subject to use tax
31 and has the same meaning as sales price.

32 ~~(ff)~~*(ee)* "Purchaser" means a person to whom a sale of personal
33 property is made or to whom a service is furnished.

34 ~~(gg)~~*(ff)* "Quasi-municipal corporation" means any county, township,
35 school district, drainage district or any other governmental subdivision in
36 the state of Kansas having authority to receive or hold moneys or funds.

37 ~~(hh)~~*(gg)* "Registered under this agreement" means registration by a
38 seller with the member states under the central registration system
39 provided in article IV of the agreement.

40 ~~(ii)~~*(hh)* "Retailer" means a seller regularly engaged in the business of
41 selling, leasing or renting tangible personal property at retail or furnishing
42 electrical energy, gas, water, services or entertainment, and selling only to
43 the user or consumer and not for resale.

1 ~~(j)~~(ii) "Retail sale" or "sale at retail" means any sale, lease or rental
2 for any purpose other than for resale, sublease or subrent.

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

15 ~~(H)~~(1)(kk) (I) "Sales or selling price" applies to the measure subject
16 to sales tax and means the total amount of consideration, including cash,
17 credit, property and services, for which personal property or services are
18 sold, leased or rented, valued in money, whether received in money or
19 otherwise, without any deduction for the following:

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

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

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

26 (D) delivery charges; and

27 (E) installation charges.

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

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

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

35 (C) the amount of the consideration attributable to the sale is fixed
36 and determinable by the seller at the time of the sale of the item to the
37 purchaser; and

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

39 (i) The purchaser presents a coupon, certificate or other
40 documentation to the seller to claim a price reduction or discount where
41 the coupon, certificate or documentation is authorized, distributed or
42 granted by a third party with the understanding that the third party will
43 reimburse any seller to whom the coupon, certificate or documentation is

1 presented;

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

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

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

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

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

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

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

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

25 ~~(mm)~~(ll) "Seller" means a person making sales, leases or rentals of
26 personal property or services.

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

29 ~~(oo)~~(mm) "Sourcing rules" means the rules set forth in K.S.A. 2011
30 Supp. 79-3670 through 79-3673, K.S.A. 12-191 and 12-191a, and
31 amendments thereto, which shall apply to identify and determine the state
32 and local taxing jurisdiction sales or use taxes to pay, or collect and remit
33 on a particular retail sale.

34 ~~(pp)~~ (nn) "Tangible personal property" means personal property that
35 can be seen, weighed, measured, felt or touched, or that is in any other
36 manner perceptible to the senses. Tangible personal property includes
37 electricity, water, gas, steam and prewritten computer software.

38 ~~(qq)~~ (oo) "Taxpayer" means any person obligated to account to the
39 director for taxes collected under the terms of this act.

40 ~~(rr)~~ (pp) "Tobacco" means cigarettes, cigars, chewing or pipe tobacco
41 or any other item that contains tobacco.

42 ~~(ss)~~ (qq) "Entity-based exemption" means an exemption based on
43 who purchases the product or who sells the product. An exemption that is

1 available to all individuals shall not be considered an entity-based
2 exemption.

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

11 ~~(ttt)~~ (ss) "Ancillary services" means services that are associated with
12 or incidental to the provision of telecommunications services, including,
13 but not limited to, detailed telecommunications billing, directory
14 assistance, vertical service and voice mail services.

15 ~~(vvv)~~ (tt) "Conference bridging service" means an ancillary service
16 that links two or more participants of an audio or video conference call and
17 may include the provision of a telephone number. Conference bridging
18 service does not include the telecommunications services used to reach the
19 conference bridge.

20 ~~(www)~~ (uu) "Detailed telecommunications billing service" means an
21 ancillary service of separately stating information pertaining to individual
22 calls on a customer's billing statement.

23 ~~(xxx)~~ (vv) "Directory assistance" means an ancillary service of
24 providing telephone number information or address information, or both.

25 ~~(yyy)~~ (ww) "Vertical service" means an ancillary service that is offered
26 in connection with one or more telecommunications services, which offers
27 advanced calling features that allow customers to identify callers and to
28 manage multiple calls and call connections, including conference bridging
29 services.

30 ~~(zzz)~~(xx) "Voice mail service" means an ancillary service that enables
31 the customer to store, send or receive recorded messages. Voice mail
32 service does not include any vertical services that the customer may be
33 required to have in order to utilize the voice mail service.

34 ~~(aaa)~~(yy) "Telecommunications service" means the electronic
35 transmission, conveyance or routing of voice, data, audio, video or any
36 other information or signals to a point, or between or among points. The
37 term telecommunications service includes such transmission, conveyance
38 or routing in which computer processing applications are used to act on the
39 form, code or protocol of the content for purposes of transmissions,
40 conveyance or routing without regard to whether such service is referred to
41 as voice over Internet protocol services or is classified by the federal
42 communications commission as enhanced or value added.
43 Telecommunications service does not include:

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

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

8 (3) tangible personal property;

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

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

11 (6) internet access service;

12 (7) radio and television audio and video programming services,
13 regardless of the medium, including the furnishing of transmission,
14 conveyance and routing of such services by the programming service
15 provider. Radio and television audio and video programming services shall
16 include, but not be limited to, cable service as defined in 47 U.S.C. §
17 522(6) and audio and video programming services delivered by
18 commercial mobile radio service providers, as defined in 47 C.F.R. § 20.3;

19 (8) ancillary services; or

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

22 ~~(bbb)~~ (zz) "800 service" means a telecommunications service that
23 allows a caller to dial a toll-free number without incurring a charge for the
24 call. The service is typically marketed under the name 800, 855, 866, 877
25 and 888 toll-free calling, and any subsequent numbers designated by the
26 federal communications commission.

27 ~~(eee)~~ (aaa) "900 service" means an inbound toll telecommunications
28 service purchased by a subscriber that allows the subscriber's customers to
29 call in to the subscriber's prerecorded announcement or live service. 900
30 service does not include the charge for collection services provided by the
31 seller of the telecommunications services to the subscriber, or service or
32 product sold by the subscriber to the subscriber's customer. The service is
33 typically marketed under the name 900 service, and any subsequent
34 numbers designated by the federal communications commission.

35 ~~(ddd)~~ (bbb) "Value-added non-voice data service" means a service
36 that otherwise meets the definition of telecommunications services in
37 which computer processing applications are used to act on the form,
38 content, code or protocol of the information or data primarily for a purpose
39 other than transmission, conveyance or routing.

40 ~~(eee)~~ (ccc) "International" means a telecommunications service that
41 originates or terminates in the United States and terminates or originates
42 outside the United States, respectively. United States includes the District
43 of Columbia or a U.S. territory or possession.

1 ~~(fff)~~ (ddd) "Interstate" means a telecommunications service that
2 originates in one United States state, or a United States territory or
3 possession, and terminates in a different United States state or a United
4 States territory or possession.

5 ~~(ggg)~~ (eee) "Intrastate" means a telecommunications service that
6 originates in one United States state or a United States territory or
7 possession, and terminates in the same United States state or a United
8 States territory or possession.

9 Sec. 4. On January 1, 2013, K.S.A. 2011 Supp. 79-3603 is hereby
10 amended to read as follows: 79-3603. *Unless made exempt from the tax*
11 *imposed by the Kansas retailers' sales tax, for the privilege of engaging in*
12 *the business of selling tangible personal property at retail in this state or*
13 *rendering or furnishing any of the services taxable under this act, there is*
14 *hereby levied and there shall be collected and paid a tax at the rate of*
15 ~~5.3%, and, commencing July 1, 2010, at the rate of 6.3%, and commencing~~
16 ~~July 1, 2013~~ *January 1, 2013, at the rate of 5.7%* 5.3%, *except that*
17 *commencing January 1, 2013, and ending December 31, 2013, food and*
18 *food ingredients as defined in subsection (v) of K.S.A. 79-3606, and*
19 *amendments thereto, shall be taxed at the rate of 3.15%. Within a*
20 *redevelopment district established pursuant to K.S.A. 74-8921, and*
21 *amendments thereto, there is hereby levied and there shall be collected and*
22 *paid an additional tax at the rate of 2% until the earlier of the date the*
23 *bonds issued to finance or refinance the redevelopment project have been*
24 *paid in full or the final scheduled maturity of the first series of bonds*
25 *issued to finance any part of the project. Such tax shall be levied upon:*

26 (a) The gross receipts received from the sale of tangible personal
27 property at retail within this state, *and commencing January 1, 2013, the*
28 *rendering or furnishing of any services within this state specifically named*
29 *by law prior to January 1, 2013, and services as described in subsectors*
30 *5411, 5412, 5413, 54133, 54134, 54135, 54136, 54137, 8121, 8122, 8129,*
31 *4853 and 7212 of the North American industry classification system,*
32 *United States, 2002 edition except any such services purchased by a*
33 *foreign or domestic for profit corporation, professional corporation or*
34 *association, sole proprietorship, limited liability company, limited*
35 *partnership, limited liability partnership or business trust shall not be*
36 *subject to the levy of such tax on services;*

37 (b) the gross receipts from intrastate, interstate or international
38 telecommunications services and any ancillary services sourced to this
39 state in accordance with K.S.A. 2011 Supp. 79-3673, and amendments
40 thereto, ~~except that telecommunications service does not include: (1) Any~~
41 ~~interstate or international 800 or 900 service; (2) any interstate or~~
42 ~~international private communications service as defined in K.S.A. 2011~~
43 ~~Supp. 79-3673, and amendments thereto; (3) any value-added nonvoice~~

1 ~~data service; (4) any telecommunication service to a provider of~~
2 ~~telecommunication services which will be used to render~~
3 ~~telecommunications services, including carrier access services; or (5) any~~
4 ~~service or transaction defined in this section among entities classified as~~
5 ~~members of an affiliated group as provided by section 1504 of the federal~~
6 ~~internal revenue code of 1986, as in effect on January 1, 2001;~~

7 (c) ~~the gross receipts from the sale or furnishing of gas, water,~~
8 ~~electricity and heat, which sale is not otherwise exempt from taxation~~
9 ~~under the provisions of this act, and whether furnished by municipally or~~
10 ~~privately owned utilities, except that, on and after January 1, 2006, for~~
11 ~~sales of gas, electricity and heat delivered through mains, lines or pipes to~~
12 ~~residential premises for noncommercial use by the occupant of such~~
13 ~~premises, and for agricultural use and also, for such use, all sales of~~
14 ~~propane gas, the state rate shall be 0%; and for all sales of propane gas, LP~~
15 ~~gas, coal, wood and other fuel sources for the production of heat or~~
16 ~~lighting for noncommercial use of an occupant of residential premises, the~~
17 ~~state rate shall be 0%, but such tax shall not be levied and collected upon~~
18 ~~the gross receipts from: (1) The sale of a rural water district benefit unit;~~
19 ~~(2) a water system impact fee, system enhancement fee or similar fee~~
20 ~~collected by a water supplier as a condition for establishing service; or (3)~~
21 ~~connection or reconnection fees collected by a water supplier;~~

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

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

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

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

41 (h) ~~the gross receipts from the service of renting or leasing of tangible~~
42 ~~personal property except such tax shall not apply to the renting or leasing~~
43 ~~of machinery, equipment or other personal property owned by a city and~~

1 purchased from the proceeds of industrial revenue bonds issued prior to
2 July 1, 1973, in accordance with the provisions of K.S.A. 12-1740 through
3 12-1749, and amendments thereto, and any city or lessee renting or leasing
4 such machinery, equipment or other personal property purchased with the
5 proceeds of such bonds who shall have paid a tax under the provisions of
6 this section upon sales made prior to July 1, 1973, shall be entitled to a
7 refund from the sales tax refund fund of all taxes paid thereon;

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

11 (j) the gross receipts from the rendering of the services of washing
12 and washing and waxing of vehicles;

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

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

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

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

41 (n) the gross receipts received from dues charged by public and
42 private clubs, drinking establishments, organizations and businesses,
43 payment of which entitles a member to the use of facilities for recreation

1 or entertainment, but such tax shall not be levied and collected upon the
2 gross receipts received from: (1) Dues charged by any organization exempt
3 from property taxation pursuant to paragraphs *Eighth* and *Ninth* of K.S.A.
4 79-201, and amendments thereto; and (2) sales of memberships in a
5 nonprofit organization which is exempt from federal income taxation
6 pursuant to section 501 (c)(3) of the federal internal revenue code of 1986,
7 and whose purpose is to support the operation of a nonprofit zoo;

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

43 (p) the gross receipts received for the service of installing or applying

1 tangible personal property which when installed or applied is not being
2 held for sale in the regular course of business, and whether or not such
3 tangible personal property when installed or applied remains tangible
4 personal property or becomes a part of real estate, ~~except that no tax shall~~
5 ~~be imposed upon the service of installing or applying tangible personal~~
6 ~~property in connection with the original construction of a building or~~
7 ~~facility, the original construction, reconstruction, restoration, remodeling,~~
8 ~~renovation, repair or replacement of a residence or the construction,~~
9 ~~reconstruction, restoration, replacement or repair of a bridge or highway.~~

10 For the purposes of this subsection:

11 (1) ~~"Original construction" shall mean the first or initial construction~~
12 ~~of a new building or facility. The term "original construction" shall include~~
13 ~~the addition of an entire room or floor to any existing building or facility,~~
14 ~~the completion of any unfinished portion of any existing building or~~
15 ~~facility and the restoration, reconstruction or replacement of a building,~~
16 ~~facility or utility structure damaged or destroyed by fire, flood, tornado,~~
17 ~~lightning, explosion, windstorm, ice loading and attendant winds,~~
18 ~~terrorism or earthquake, but such term, except with regard to a residence,~~
19 ~~shall not include replacement, remodeling, restoration, renovation or~~
20 ~~reconstruction under any other circumstances;~~

21 (2) ~~"building" shall mean only those enclosures within which~~
22 ~~individuals customarily are employed, or which are customarily used to~~
23 ~~house machinery, equipment or other property, and including the land~~
24 ~~improvements immediately surrounding such building;~~

25 (3) ~~"facility" shall mean a mill, plant, refinery, oil or gas well, water~~
26 ~~well, feedlot or any conveyance, transmission or distribution line of any~~
27 ~~cooperative, nonprofit, membership corporation organized under or subject~~
28 ~~to the provisions of K.S.A. 17-4601, and amendments thereto, or~~
29 ~~municipal or quasi-municipal corporation, including the land~~
30 ~~improvements immediately surrounding such facility;~~

31 (4) ~~"residence" shall mean only those enclosures within which~~
32 ~~individuals customarily live;~~

33 (5) ~~"utility structure" shall mean transmission and distribution lines~~
34 ~~owned by an independent transmission company or cooperative, the~~
35 ~~Kansas electric transmission authority or natural gas or electric public~~
36 ~~utility; and~~

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

40 (q) the gross receipts received for the service of repairing, servicing,
41 altering or maintaining tangible personal property which when such
42 services are rendered is not being held for sale in the regular course of
43 business, and whether or not any tangible personal property is transferred

1 in connection therewith. The tax imposed by this subsection shall be
2 applicable to the services of repairing, servicing, altering or maintaining an
3 item of tangible personal property which has been and is fastened to,
4 connected with or built into real property;

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

8 (s) ~~on and after January 1, 2005~~, the gross receipts received from the
9 sale of ~~prewritten~~ computer software and the sale of the services of
10 ~~installing~~, modifying, altering, updating or maintaining ~~prewritten~~
11 computer software, whether the ~~prewritten~~ computer software is installed
12 or delivered electronically by tangible storage media physically transferred
13 to the purchaser or by load and leave, *and the gross receipts received from*
14 *the service of providing access to or use of computer software regardless*
15 *of where such software is located or how access is provided, and*
16 *regardless of whether the charge for the service is on a per use, per user,*
17 *per license, subscription or some other basis;*

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

19 (u) the gross receipts received from the sale of prepaid calling service
20 and prepaid wireless calling service as defined in K.S.A. 2011 Supp. 79-
21 3673, and amendments thereto; ~~and~~

22 (v) the gross receipts received from the sales of bingo cards, bingo
23 faces and instant bingo tickets by licensees under K.S.A. 79-4701; *et seq.*,
24 and amendments thereto, ~~shall be taxed at a rate of: (1) 4.9% on July 1,~~
25 ~~2000, and before July 1, 2001; and (2) 2.5% on July 1, 2001, and before~~
26 ~~July 1, 2002. From and after July 1, 2002, all sales of bingo cards, bingo~~
27 ~~faces and instant bingo tickets by licensees under K.S.A. 79-4701, and~~
28 ~~amendments thereto, shall be exempt from taxes imposed pursuant to this~~
29 ~~section; and~~

30 (w) *sales of digital goods, digital codes and subscriptions to digital*
31 *goods, to a purchaser who is an end user, including sales of the right of*
32 *permanent use granted by the seller and sales with less than the right of*
33 *permanent use granted by the seller, and including sales when such use is*
34 *conditional upon continued payment from the purchaser and when such*
35 *use is not conditional upon continued payment from the purchaser. As used*
36 *in this subsection: (1) "Digital audio works" means works that result from*
37 *the fixation of a series of musical, spoken or other sounds, including*
38 *ringtones;*

39 (2) *"digital audio-visual works" means a series of related images*
40 *which, when shown in succession, impart an impression of motion,*
41 *together with accompanying sounds, if any;*

42 (3) *"digital books" means works that are generally recognized in the*
43 *ordinary and usual sense as books;*

1 (4) "digital code" means a code, which provides a purchaser with a
2 right to obtain one or more products transferred electronically from within
3 one or more product categories having the same tax treatment. A digital
4 code may be obtained by any means, including email or by tangible means
5 regardless of its designation as song code, video code or book code;

6 (5) "digital goods" means sounds, images, data, facts or information,
7 or any combination thereof, transferred electronically, including, but not
8 limited to, specified digital products and other products transferred
9 electronically not included within the definition of specified digital
10 products; "digital goods" does not include telecommunications services as
11 defined in K.S.A. 79-3602, and amendments thereto, ancillary services as
12 defined in K.S.A. 79-3602, and amendments thereto, or computer software
13 as defined in K.S.A. 79-3602, and amendments thereto;

14 (6) "electronically transferred" means obtained by the purchaser by
15 means other than tangible storage media;

16 (7) "end user" includes any person other than a person who receives
17 by contract a product transferred electronically for further commercial
18 broadcast, rebroadcast, transmission, retransmission, licensing,
19 relicensing, distribution, redistribution or exhibition of the product, in
20 whole or in part, to another person or persons. A person that purchases
21 products transferred electronically or the code for specified digital
22 products for the purpose of giving away such products or code shall not be
23 considered to have engaged in the distribution or redistribution of such
24 products or code and shall be treated as an end user;

25 (8) "permanent" means perpetual or for an indefinite or unspecified
26 length of time. A right of permanent use is presumed to have been granted
27 unless the agreement between the seller and the purchaser specifies or the
28 circumstances surrounding the transaction suggest or indicate that the
29 right to use terminates on the occurrence of a condition subsequent;

30 (9) "ringtones" means digitized sound files that are downloaded onto
31 a device and that may be used to alert the customer with respect to a
32 communication;

33 (10) "specified digital products" means electronically transferred
34 digital audio works, digital audio-visual works and digital books; and

35 (11) "subscription" means an agreement with a seller that grants a
36 consumer the right to obtain products transferred electronically from
37 within one or more product categories having the same tax treatment, in a
38 fixed quantity or for a fixed period of time, or both.

39 Sec. 5. On January 1, 2013, K.S.A. 2011 Supp. 79-3606 is hereby
40 amended to read as follows: 79-3606. The following shall be exempt from
41 the tax imposed by this act:

42 (a) All sales of motor-vehicle fuel or other articles upon which a sales
43 or excise tax has been paid, not subject to refund, under the laws of this

1 state except cigarettes as defined by K.S.A. 79-3301, and amendments
2 thereto, cereal malt beverages and malt products as defined by K.S.A. 79-
3 3817, and amendments thereto, including wort, liquid malt, malt syrup and
4 malt extract, which is not subject to taxation under the provisions of
5 K.S.A. 79-41a02, and amendments thereto, motor vehicles taxed pursuant
6 to K.S.A. 79-5117, and amendments thereto, tires taxed pursuant to K.S.A.
7 65-3424d, and amendments thereto, drycleaning and laundry services
8 taxed pursuant to K.S.A. 65-34,150, and amendments thereto, and gross
9 receipts from regulated sports contests taxed pursuant to the Kansas
10 professional regulated sports act, and amendments thereto;

11 ~~(b) all sales of tangible personal property or service, including the~~
12 ~~renting and leasing of tangible personal property, purchased directly by the~~
13 ~~state of Kansas, a political subdivision thereof, other than a school or~~
14 ~~educational institution, or purchased by a public or private nonprofit~~
15 ~~hospital or public hospital authority or nonprofit blood, tissue or organ~~
16 ~~bank and used exclusively for state, political subdivision, hospital or~~
17 ~~public hospital authority or nonprofit blood, tissue or organ bank purposes,~~
18 ~~except when: (1) Such state, hospital or public hospital authority is~~
19 ~~engaged or proposes to engage in any business specifically taxable under~~
20 ~~the provisions of this act and such items of tangible personal property or~~
21 ~~service are used or proposed to be used in such business, or (2) such~~
22 ~~political subdivision is engaged or proposes to engage in the business of~~
23 ~~furnishing gas, electricity or heat to others and such items of personal~~
24 ~~property or service are used or proposed to be used in such business;~~

25 ~~(c) all sales of tangible personal property or services, including the~~
26 ~~renting and leasing of tangible personal property, purchased directly by a~~
27 ~~public or private elementary or secondary school or public or private~~
28 ~~nonprofit educational institution and used primarily by such school or~~
29 ~~institution for nonsectarian programs and activities provided or sponsored~~
30 ~~by such school or institution or in the erection, repair or enlargement of~~
31 ~~buildings to be used for such purposes. The exemption herein provided~~
32 ~~shall not apply to erection, construction, repair, enlargement or equipment~~
33 ~~of buildings used primarily for human habitation;~~

34 ~~(d) all sales of tangible personal property or services purchased by a~~
35 ~~contractor for the purpose of constructing, equipping, reconstructing,~~
36 ~~maintaining, repairing, enlarging, furnishing or remodeling facilities for~~
37 ~~any public or private nonprofit hospital or public hospital authority, public~~
38 ~~or private elementary or secondary school, a public or private nonprofit~~
39 ~~educational institution, state correctional institution including a privately~~
40 ~~constructed correctional institution contracted for state use and ownership,~~
41 ~~which would be exempt from taxation under the provisions of this act if~~
42 ~~purchased directly by such hospital or public hospital authority, school,~~
43 ~~educational institution or a state correctional institution; and all sales of~~

1 tangible personal property or services purchased by a contractor for the
2 purpose of constructing, equipping, reconstructing, maintaining, repairing,
3 enlarging, furnishing or remodeling facilities for any political subdivision
4 of the state or district described in subsection (s), the total cost of which is
5 paid from funds of such political subdivision or district and which would
6 be exempt from taxation under the provisions of this act if purchased
7 directly by such political subdivision or district. Nothing in this subsection
8 or in the provisions of K.S.A. 12-3418 and amendments thereto, shall be
9 deemed to exempt the purchase of any construction machinery, equipment
10 or tools used in the constructing, equipping, reconstructing, maintaining,
11 repairing, enlarging, furnishing or remodeling facilities for any political
12 subdivision of the state or any such district. As used in this subsection,
13 K.S.A. 12-3418 and 79-3640, and amendments thereto, "funds of a
14 political subdivision" shall mean general tax revenues, the proceeds of any
15 bonds and gifts or grants in-aid. Gifts shall not mean funds used for the
16 purpose of constructing, equipping, reconstructing, repairing, enlarging,
17 furnishing or remodeling facilities which are to be leased to the donor.
18 When any political subdivision of the state, district described in subsection
19 (s), public or private nonprofit hospital or public hospital authority, public
20 or private elementary or secondary school, public or private nonprofit
21 educational institution, state correctional institution including a privately
22 constructed correctional institution contracted for state use and ownership
23 shall contract for the purpose of constructing, equipping, reconstructing,
24 maintaining, repairing, enlarging, furnishing or remodeling facilities, it
25 shall obtain from the state and furnish to the contractor an exemption
26 certificate for the project involved, and the contractor may purchase
27 materials for incorporation in such project. The contractor shall furnish the
28 number of such certificate to all suppliers from whom such purchases are
29 made, and such suppliers shall execute invoices covering the same bearing
30 the number of such certificate. Upon completion of the project the
31 contractor shall furnish to the political subdivision, district described in
32 subsection (s), hospital or public hospital authority, school, educational
33 institution or department of corrections concerned a sworn statement, on a
34 form to be provided by the director of taxation, that all purchases so made
35 were entitled to exemption under this subsection. As an alternative to the
36 foregoing procedure, any such contracting entity may apply to the
37 secretary of revenue for agent status for the sole purpose of issuing and
38 furnishing project exemption certificates to contractors pursuant to rules
39 and regulations adopted by the secretary establishing conditions and
40 standards for the granting and maintaining of such status. All invoices
41 shall be held by the contractor for a period of five years and shall be
42 subject to audit by the director of taxation. If any materials purchased
43 under such a certificate are found not to have been incorporated in the

1 building or other project or not to have been returned for credit or the sales
2 or compensating tax otherwise imposed upon such materials which will
3 not be so incorporated in the building or other project reported and paid by
4 such contractor to the director of taxation not later than the 20th day of the
5 month following the close of the month in which it shall be determined
6 that such materials will not be used for the purpose for which such
7 certificate was issued, the political subdivision, district described in
8 subsection (s), hospital or public hospital authority, school, educational
9 institution or the contractor contracting with the department of corrections
10 for a correctional institution concerned shall be liable for tax on all
11 materials purchased for the project, and upon payment thereof it may
12 recover the same from the contractor together with reasonable attorney
13 fees. Any contractor or any agent, employee or subcontractor thereof, who
14 shall use or otherwise dispose of any materials purchased under such a
15 certificate for any purpose other than that for which such a certificate is
16 issued without the payment of the sales or compensating tax otherwise
17 imposed upon such materials, shall be guilty of a misdemeanor and, upon
18 conviction therefor, shall be subject to the penalties provided for in
19 subsection (g) of K.S.A. 79-3615, and amendments thereto;

20 (e) all sales of tangible personal property or services purchased by a
21 contractor for the erection, repair or enlargement of buildings or other
22 projects for the government of the United States, its agencies or
23 instrumentalities, which would be exempt from taxation if purchased
24 directly by the government of the United States, its agencies or
25 instrumentalities. When the government of the United States, its agencies
26 or instrumentalities shall contract for the erection, repair, or enlargement
27 of any building or other project, it shall obtain from the state and furnish to
28 the contractor an exemption certificate for the project involved, and the
29 contractor may purchase materials for incorporation in such project. The
30 contractor shall furnish the number of such certificates to all suppliers
31 from whom such purchases are made, and such suppliers shall execute
32 invoices covering the same bearing the number of such certificate. Upon
33 completion of the project the contractor shall furnish to the government of
34 the United States, its agencies or instrumentalities concerned a sworn
35 statement, on a form to be provided by the director of taxation, that all
36 purchases so made were entitled to exemption under this subsection. As an
37 alternative to the foregoing procedure, any such contracting entity may
38 apply to the secretary of revenue for agent status for the sole purpose of
39 issuing and furnishing project exemption certificates to contractors
40 pursuant to rules and regulations adopted by the secretary establishing
41 conditions and standards for the granting and maintaining of such status.
42 All invoices shall be held by the contractor for a period of five years and
43 shall be subject to audit by the director of taxation. Any contractor or any

1 agent, employee or subcontractor thereof, who shall use or otherwise
2 dispose of any materials purchased under such a certificate for any purpose
3 other than that for which such a certificate is issued without the payment
4 of the sales or compensating tax otherwise imposed upon such materials,
5 shall be guilty of a misdemeanor and, upon conviction therefor, shall be
6 subject to the penalties provided for in subsection (g) of K.S.A. 79-3615,
7 and amendments thereto;

8 ~~(f)~~ (c) tangible personal property purchased by a railroad or public
9 utility for consumption or movement directly and immediately in interstate
10 commerce;

11 ~~(g)~~(d) sales of aircraft including remanufactured and modified aircraft
12 sold to persons using directly or through an authorized agent such aircraft
13 as certified or licensed carriers of persons or property in interstate or
14 foreign commerce under authority of the laws of the United States or any
15 foreign government or sold to any foreign government or agency or
16 instrumentality of such foreign government and all sales of aircraft for use
17 outside of the United States and sales of aircraft repair, modification and
18 replacement parts and sales of services employed in the remanufacture,
19 modification and repair of aircraft;

20 ~~(h) all rentals of nonsectarian textbooks by public or private~~
21 ~~elementary or secondary schools;~~

22 ~~(i) the lease or rental of all films, records, tapes, or any type of sound~~
23 ~~or picture transcriptions used by motion picture exhibitors;~~

24 ~~(j) meals served without charge or food used in the preparation of~~
25 ~~such meals to employees of any restaurant, eating house, dining car, hotel,~~
26 ~~drugstore or other place where meals or drinks are regularly sold to the~~
27 ~~public if such employees' duties are related to the furnishing or sale of~~
28 ~~such meals or drinks;~~

29 ~~(k)~~(e) any motor vehicle, semitrailer or pole trailer, as such terms are
30 defined by K.S.A. 8-126, and amendments thereto, or aircraft sold and
31 delivered in this state to a *bona fide* resident of another state, which motor
32 vehicle, semitrailer, pole trailer or aircraft is not to be registered or based
33 in this state and which vehicle, semitrailer, pole trailer or aircraft will not
34 remain in this state more than 10 days;

35 ~~(l)~~ (f) all isolated or occasional sales of tangible personal property,
36 services, substances or things, except isolated or occasional sale of motor
37 vehicles specifically taxed under the provisions of subsection (o) of K.S.A.
38 79-3603, and amendments thereto;

39 ~~(m)~~ (g) all sales of tangible personal property which become an
40 ingredient or component part of tangible personal property or services
41 produced, manufactured or compounded for ultimate sale at retail within
42 or without the state of Kansas; and any such producer, manufacturer or
43 compounder may obtain from the director of taxation and furnish to the

1 supplier an exemption certificate number for tangible personal property for
2 use as an ingredient or component part of the property or services
3 produced, manufactured or compounded;

4 ~~(h)~~ (h) all sales of tangible personal property which is consumed in
5 the production, manufacture, processing, mining, drilling, refining or
6 compounding of tangible personal property, the treating of by-products or
7 wastes derived from any such production process, the providing of
8 services or the irrigation of crops for ultimate sale at retail within or
9 without the state of Kansas; and any purchaser of such property may
10 obtain from the director of taxation and furnish to the supplier an
11 exemption certificate number for tangible personal property for
12 consumption in such production, manufacture, processing, mining,
13 drilling, refining, compounding, treating, irrigation and in providing such
14 services;

15 ~~(i)~~ (i) all sales of animals, fowl and aquatic plants and animals, the
16 primary purpose of which is use in agriculture or aquaculture, as defined in
17 K.S.A. 47-1901, and amendments thereto, the production of food for
18 human consumption, the production of animal, dairy, poultry or aquatic
19 plant and animal products, fiber or fur, or the production of offspring for
20 use for any such purpose or purposes;

21 ~~(j)~~ (j) all sales of drugs dispensed pursuant to a prescription order by
22 a licensed practitioner or a mid-level practitioner as defined by K.S.A. 65-
23 1626, and amendments thereto. As used in this subsection, "drug" means a
24 compound, substance or preparation and any component of a compound,
25 substance or preparation, other than food and food ingredients, dietary
26 supplements or alcoholic beverages, recognized in the official United
27 States pharmacopoeia, official homeopathic pharmacopoeia of the United
28 States or official national formulary, and supplement to any of them,
29 intended for use in the diagnosis, cure, mitigation, treatment or prevention
30 of disease or intended to affect the structure or any function of the body;

31 ~~(k)~~ (k) all sales of insulin dispensed by a person licensed by the state
32 board of pharmacy to a person for treatment of diabetes at the direction of
33 a person licensed to practice medicine by the board of healing arts;

34 ~~(l)~~ (l) all sales of oxygen delivery equipment, kidney dialysis
35 equipment, enteral feeding systems, prosthetic devices and mobility
36 enhancing equipment prescribed in writing by a person licensed to practice
37 the healing arts, dentistry or optometry, and in addition to such sales, all
38 sales of hearing aids, as defined by subsection (c) of K.S.A. 74-5807, and
39 amendments thereto, and repair and replacement parts therefor, including
40 batteries, by a person licensed in the practice of dispensing and fitting
41 hearing aids pursuant to the provisions of K.S.A. 74-5808, and
42 amendments thereto. For the purposes of this subsection: (1) "Mobility
43 enhancing equipment" means equipment including repair and replacement

1 parts to same, but does not include durable medical equipment, which is
2 primarily and customarily used to provide or increase the ability to move
3 from one place to another and which is appropriate for use either in a
4 home or a motor vehicle; is not generally used by persons with normal
5 mobility; and does not include any motor vehicle or equipment on a motor
6 vehicle normally provided by a motor vehicle manufacturer; and (2)
7 "prosthetic device" means a replacement, corrective or supportive device
8 including repair and replacement parts for same worn on or in the body to
9 artificially replace a missing portion of the body, prevent or correct
10 physical deformity or malfunction or support a weak or deformed portion
11 of the body;

12 (s) (m) except as provided in K.S.A. 2011 Supp. 82a-2101, and
13 amendments thereto, all sales of tangible personal property or services
14 purchased directly or indirectly by a groundwater management district
15 organized or operating under the authority of K.S.A. 82a-1020 *et seq.*, and
16 amendments thereto, by a rural water district organized or operating under
17 the authority of K.S.A. 82a-612, and amendments thereto, or by a water
18 supply district organized or operating under the authority of K.S.A. 19-
19 3501 *et seq.*, 19-3522 *et seq.*, or 19-3545, and amendments thereto, which
20 property or services are used in the construction activities, operation or
21 maintenance of the district;

22 (t) (n) all sales of farm machinery and equipment or aquaculture
23 machinery and equipment, repair and replacement parts therefor and
24 services performed in the repair and maintenance of such machinery and
25 equipment. For the purposes of this subsection the term "farm machinery
26 and equipment or aquaculture machinery and equipment" shall include a
27 work-site utility vehicle, as defined in K.S.A. 8-126, and amendments
28 thereto, and is equipped with a bed or cargo box for hauling materials, and
29 shall also include machinery and equipment used in the operation of
30 Christmas tree farming but shall not include any passenger vehicle, truck,
31 truck tractor, trailer, semitrailer or pole trailer, other than a farm trailer, as
32 such terms are defined by K.S.A. 8-126, and amendments thereto. "Farm
33 machinery and equipment" includes precision farming equipment that is
34 portable or is installed or purchased to be installed on farm machinery and
35 equipment. "Precision farming equipment" includes the following items
36 used only in computer-assisted farming, ranching or aquaculture
37 production operations: Soil testing sensors, yield monitors, computers,
38 monitors, software, global positioning and mapping systems, guiding
39 systems, modems, data communications equipment and any necessary
40 mounting hardware, wiring and antennas. Each purchaser of farm
41 machinery and equipment or aquaculture machinery and equipment
42 exempted herein must certify in writing on the copy of the invoice or sales
43 ticket to be retained by the seller that the farm machinery and equipment

1 or aquaculture machinery and equipment purchased will be used only in
2 farming, ranching or aquaculture production. Farming or ranching shall
3 include the operation of a feedlot and farm and ranch work for hire and the
4 operation of a nursery;

5 ~~(u) all leases or rentals of tangible personal property used as a~~
6 ~~dwelling if such tangible personal property is leased or rented for a period~~
7 ~~of more than 28 consecutive days;~~

8 ~~(v) all sales of tangible personal property to any contractor for use in~~
9 ~~preparing meals for delivery to homebound elderly persons over 60 years~~
10 ~~of age and to homebound disabled persons or to be served at a group-~~
11 ~~sitting at a location outside of the home to otherwise homebound elderly~~
12 ~~persons over 60 years of age and to otherwise homebound disabled~~
13 ~~persons, as all or part of any food service project funded in whole or in~~
14 ~~part by government or as part of a private nonprofit food service project~~
15 ~~available to all such elderly or disabled persons residing within an area of~~
16 ~~service designated by the private nonprofit organization, and all sales of~~
17 ~~tangible personal property for use in preparing meals for consumption by~~
18 ~~indigent or homeless individuals whether or not such meals are consumed~~
19 ~~at a place designated for such purpose, and all sales of food products by or~~
20 ~~on behalf of any such contractor or organization for any such purpose;~~

21 ~~(w) all sales of natural gas, electricity, heat and water delivered~~
22 ~~through mains, lines or pipes: (1) To residential premises for~~
23 ~~noncommercial use by the occupant of such premises; (2) for agricultural~~
24 ~~use and also, for such use, all sales of propane gas; (3) for use in the~~
25 ~~severing of oil; and (4) to any property which is exempt from property~~
26 ~~taxation pursuant to K.S.A. 79-201b *Second* through *Sixth*. As used in this~~
27 ~~paragraph, "severing" shall have the meaning ascribed thereto by~~
28 ~~subsection (k) of K.S.A. 79-4216, and amendments thereto. For all sales of~~
29 ~~natural gas, electricity and heat delivered through mains, lines or pipes~~
30 ~~pursuant to the provisions of subsection (w)(1) and (w)(2), the provisions~~
31 ~~of this subsection shall expire on December 31, 2005;~~

32 ~~(x) all sales of propane gas, LP-gas, coal, wood and other fuel sources~~
33 ~~for the production of heat or lighting for noncommercial use of an~~
34 ~~occupant of residential premises occurring prior to January 1, 2006;~~

35 ~~(y) (o) all sales of materials and services used in the repairing,~~
36 ~~servicing, altering, maintaining, manufacturing, remanufacturing, or~~
37 ~~modification of railroad rolling stock for use in interstate or foreign~~
38 ~~commerce under authority of the laws of the United States;~~

39 ~~(z) all sales of tangible personal property and services purchased~~
40 ~~directly by a port authority or by a contractor therefor as provided by the~~
41 ~~provisions of K.S.A. 12-3418 and amendments thereto;~~

42 ~~(aa) (p) all sales of materials and services applied to equipment which~~
43 ~~is transported into the state from without the state for repair, service,~~

1 alteration, maintenance, remanufacture or modification and which is
2 subsequently transported outside the state for use in the transmission of
3 liquids or natural gas by means of pipeline in interstate or foreign
4 commerce under authority of the laws of the United States;

5 ~~(bb) all sales of used mobile homes or manufactured homes. As used~~
6 ~~in this subsection: (1) "Mobile homes" and "manufactured homes" shall~~
7 ~~have the meanings ascribed thereto by K.S.A. 58-4202 and amendments~~
8 ~~thereto; and (2) "sales of used mobile homes or manufactured homes"~~
9 ~~means sales other than the original retail sale thereof;~~

10 ~~(cc) all sales of tangible personal property or services purchased prior~~
11 ~~to January 1, 2012, except as otherwise provided, for the purpose of and in~~
12 ~~conjunction with constructing, reconstructing, enlarging or remodeling a~~
13 ~~business or retail business which meets the requirements established in~~
14 ~~K.S.A. 74-50,115 and amendments thereto, and the sale and installation of~~
15 ~~machinery and equipment purchased for installation at any such business~~
16 ~~or retail business, and all sales of tangible personal property or services~~
17 ~~purchased on or after January 1, 2012, for the purpose of and in~~
18 ~~conjunction with constructing, reconstructing, enlarging or remodeling a~~
19 ~~business which meets the requirements established in K.S.A. 74-50,115(e),~~
20 ~~and amendments thereto, and the sale and installation of machinery and~~
21 ~~equipment purchased for installation at any such business. When a person~~
22 ~~shall contract for the construction, reconstruction, enlargement or~~
23 ~~remodeling of any such business or retail business, such person shall~~
24 ~~obtain from the state and furnish to the contractor an exemption certificate~~
25 ~~for the project involved, and the contractor may purchase materials,~~
26 ~~machinery and equipment for incorporation in such project. The contractor~~
27 ~~shall furnish the number of such certificates to all suppliers from whom~~
28 ~~such purchases are made, and such suppliers shall execute invoices~~
29 ~~covering the same bearing the number of such certificate. Upon~~
30 ~~completion of the project the contractor shall furnish to the owner of the~~
31 ~~business or retail business a sworn statement, on a form to be provided by~~
32 ~~the director of taxation, that all purchases so made were entitled to~~
33 ~~exemption under this subsection. All invoices shall be held by the~~
34 ~~contractor for a period of five years and shall be subject to audit by the~~
35 ~~director of taxation. Any contractor or any agent, employee or~~
36 ~~subcontractor thereof, who shall use or otherwise dispose of any materials,~~
37 ~~machinery or equipment purchased under such a certificate for any~~
38 ~~purpose other than that for which such a certificate is issued without the~~
39 ~~payment of the sales or compensating tax otherwise imposed thereon, shall~~
40 ~~be guilty of a misdemeanor and, upon conviction therefor, shall be subject~~
41 ~~to the penalties provided for in subsection (g) of K.S.A. 79-3615 and~~
42 ~~amendments thereto. As used in this subsection, "business" and "retail~~
43 ~~business" have the meanings respectively ascribed thereto by K.S.A. 74-~~

1 50,114 and amendments thereto. Project exemption certificates that have
2 been previously issued under this subsection by the department of revenue
3 pursuant to K.S.A. 74-50,115, and amendments thereto, but not including
4 K.S.A. 74-50,115(e), and amendments thereto, prior to January 1, 2012,
5 and have not expired will be effective for the term of the project or two
6 years from the effective date of the certificate, whichever occurs earlier.
7 Project exemption certificates that are submitted to the department of
8 revenue prior to January 1, 2012, and are found to qualify will be issued a
9 project exemption certificate that will be effective for a two-year period or
10 for the term of the project, whichever occurs earlier;

11 ~~(dd)~~ (q) all sales of tangible personal property purchased with food
12 stamps issued by the United States department of agriculture;

13 ~~(ee)~~ (r) all sales of lottery tickets and shares made as part of a lottery
14 operated by the state of Kansas;

15 ~~(ff)~~ on and after July 1, 1988, all sales of new mobile homes or
16 manufactured homes to the extent of 40% of the gross receipts, determined
17 without regard to any trade-in allowance, received from such sale. As used
18 in this subsection, "mobile homes" and "manufactured homes" shall have
19 the meanings ascribed thereto by K.S.A. 58-4202 and amendments thereto;

20 ~~(gg)~~ (s) all sales of tangible personal property purchased in
21 accordance with vouchers issued pursuant to the federal special
22 supplemental food program for women, infants and children;

23 ~~(hh)~~ all sales of medical supplies and equipment, including durable
24 medical equipment, purchased directly by a nonprofit skilled nursing home
25 or nonprofit intermediate nursing care home, as defined by K.S.A. 39-923,
26 and amendments thereto, for the purpose of providing medical services to
27 residents thereof. This exemption shall not apply to tangible personal
28 property customarily used for human habitation purposes. As used in this
29 subsection, "durable medical equipment" means equipment including
30 repair and replacement parts for such equipment, which can withstand
31 repeated use, is primarily and customarily used to serve a medical purpose,
32 generally is not useful to a person in the absence of illness or injury and is
33 not worn in or on the body, but does not include mobility enhancing
34 equipment as defined in subsection (r), oxygen delivery equipment, kidney
35 dialysis equipment or enteral feeding systems;

36 ~~(ii)~~ all sales of tangible personal property purchased directly by a
37 nonprofit organization for nonsectarian comprehensive multidiscipline
38 youth development programs and activities provided or sponsored by such
39 organization, and all sales of tangible personal property by or on behalf of
40 any such organization. This exemption shall not apply to tangible personal
41 property customarily used for human habitation purposes;

42 ~~(jj)~~ all sales of tangible personal property or services, including the
43 renting and leasing of tangible personal property, purchased directly on

1 ~~behalf of a community-based mental retardation facility or mental health~~
2 ~~center organized pursuant to K.S.A. 19-4001 ., and amendments thereto,~~
3 ~~and licensed in accordance with the provisions of K.S.A. 75-3307b and~~
4 ~~amendments thereto and all sales of tangible personal property or services~~
5 ~~purchased by contractors during the time period from July, 2003, through~~
6 ~~June, 2006, for the purpose of constructing, equipping, maintaining or~~
7 ~~furnishing a new facility for a community-based mental retardation facility~~
8 ~~or mental health center located in Riverton, Cherokee County, Kansas,~~
9 ~~which would have been eligible for sales tax exemption pursuant to this~~
10 ~~subsection if purchased directly by such facility or center. This exemption~~
11 ~~shall not apply to tangible personal property customarily used for human~~
12 ~~habitation purposes;~~

13 ~~(k)~~ (t) (1) (A) all sales of machinery and equipment which are used
14 in this state as an integral or essential part of an integrated production
15 operation by a manufacturing or processing plant or facility;

16 (B) all sales of installation, repair and maintenance services
17 performed on such machinery and equipment; and

18 (C) all sales of repair and replacement parts and accessories
19 purchased for such machinery and equipment.

20 (2) For purposes of this subsection:

21 (A) "Integrated production operation" means an integrated series of
22 operations engaged in at a manufacturing or processing plant or facility to
23 process, transform or convert tangible personal property by physical,
24 chemical or other means into a different form, composition or character
25 from that in which it originally existed. Integrated production operations
26 shall include: (i) Production line operations, including packaging
27 operations; (ii) preproduction operations to handle, store and treat raw
28 materials; (iii) post production handling, storage, warehousing and
29 distribution operations; and (iv) waste, pollution and environmental
30 control operations, if any;

31 (B) "production line" means the assemblage of machinery and
32 equipment at a manufacturing or processing plant or facility where the
33 actual transformation or processing of tangible personal property occurs;

34 (C) "manufacturing or processing plant or facility" means a single,
35 fixed location owned or controlled by a manufacturing or processing
36 business that consists of one or more structures or buildings in a
37 contiguous area where integrated production operations are conducted to
38 manufacture or process tangible personal property to be ultimately sold at
39 retail. Such term shall not include any facility primarily operated for the
40 purpose of conveying or assisting in the conveyance of natural gas,
41 electricity, oil or water. A business may operate one or more manufacturing
42 or processing plants or facilities at different locations to manufacture or
43 process a single product of tangible personal property to be ultimately sold

1 at retail;

2 (D) "manufacturing or processing business" means a business that
3 utilizes an integrated production operation to manufacture, process,
4 fabricate, finish, or assemble items for wholesale and retail distribution as
5 part of what is commonly regarded by the general public as an industrial
6 manufacturing or processing operation or an agricultural commodity
7 processing operation. (i) Industrial manufacturing or processing operations
8 include, by way of illustration but not of limitation, the fabrication of
9 automobiles, airplanes, machinery or transportation equipment, the
10 fabrication of metal, plastic, wood, or paper products, electricity power
11 generation, water treatment, petroleum refining, chemical production,
12 wholesale bottling, newspaper printing, ready mixed concrete production,
13 and the remanufacturing of used parts for wholesale or retail sale. Such
14 processing operations shall include operations at an oil well, gas well,
15 mine or other excavation site where the oil, gas, minerals, coal, clay, stone,
16 sand or gravel that has been extracted from the earth is cleaned, separated,
17 crushed, ground, milled, screened, washed, or otherwise treated or
18 prepared before its transmission to a refinery or before any other wholesale
19 or retail distribution. (ii) Agricultural commodity processing operations
20 include, by way of illustration but not of limitation, meat packing, poultry
21 slaughtering and dressing, processing and packaging farm and dairy
22 products in sealed containers for wholesale and retail distribution, feed
23 grinding, grain milling, frozen food processing, and grain handling,
24 cleaning, blending, fumigation, drying and aeration operations engaged in
25 by grain elevators or other grain storage facilities. (iii) Manufacturing or
26 processing businesses do not include, by way of illustration but not of
27 limitation, nonindustrial businesses whose operations are primarily retail
28 and that produce or process tangible personal property as an incidental part
29 of conducting the retail business, such as retailers who bake, cook or
30 prepare food products in the regular course of their retail trade, grocery
31 stores, meat lockers and meat markets that butcher or dress livestock or
32 poultry in the regular course of their retail trade, contractors who alter,
33 service, repair or improve real property, and retail businesses that clean,
34 service or refurbish and repair tangible personal property for its owner;

35 (E) "repair and replacement parts and accessories" means all parts
36 and accessories for exempt machinery and equipment, including, but not
37 limited to, dies, jigs, molds, patterns and safety devices that are attached to
38 exempt machinery or that are otherwise used in production, and parts and
39 accessories that require periodic replacement such as belts, drill bits,
40 grinding wheels, grinding balls, cutting bars, saws, refractory brick and
41 other refractory items for exempt kiln equipment used in production
42 operations;

43 (F) "primary" or "primarily" mean more than 50% of the time.

1 (3) For purposes of this subsection, machinery and equipment shall
2 be deemed to be used as an integral or essential part of an integrated
3 production operation when used:

4 (A) To receive, transport, convey, handle, treat or store raw materials
5 in preparation of its placement on the production line;

6 (B) to transport, convey, handle or store the property undergoing
7 manufacturing or processing at any point from the beginning of the
8 production line through any warehousing or distribution operation of the
9 final product that occurs at the plant or facility;

10 (C) to act upon, effect, promote or otherwise facilitate a physical
11 change to the property undergoing manufacturing or processing;

12 (D) to guide, control or direct the movement of property undergoing
13 manufacturing or processing;

14 (E) to test or measure raw materials, the property undergoing
15 manufacturing or processing or the finished product, as a necessary part of
16 the manufacturer's integrated production operations;

17 (F) to plan, manage, control or record the receipt and flow of
18 inventories of raw materials, consumables and component parts, the flow
19 of the property undergoing manufacturing or processing and the
20 management of inventories of the finished product;

21 (G) to produce energy for, lubricate, control the operating of or
22 otherwise enable the functioning of other production machinery and
23 equipment and the continuation of production operations;

24 (H) to package the property being manufactured or processed in a
25 container or wrapping in which such property is normally sold or
26 transported;

27 (I) to transmit or transport electricity, coke, gas, water, steam or
28 similar substances used in production operations from the point of
29 generation, if produced by the manufacturer or processor at the plant site,
30 to that manufacturer's production operation; or, if purchased or delivered
31 from offsite, from the point where the substance enters the site of the plant
32 or facility to that manufacturer's production operations;

33 (J) to cool, heat, filter, refine or otherwise treat water, steam, acid, oil,
34 solvents or other substances that are used in production operations;

35 (K) to provide and control an environment required to maintain
36 certain levels of air quality, humidity or temperature in special and limited
37 areas of the plant or facility, where such regulation of temperature or
38 humidity is part of and essential to the production process;

39 (L) to treat, transport or store waste or other byproducts of production
40 operations at the plant or facility; or

41 (M) to control pollution at the plant or facility where the pollution is
42 produced by the manufacturing or processing operation.

43 (4) The following machinery, equipment and materials shall be

1 deemed to be exempt even though it may not otherwise qualify as
2 machinery and equipment used as an integral or essential part of an
3 integrated production operation: (A) Computers and related peripheral
4 equipment that are utilized by a manufacturing or processing business for
5 engineering of the finished product or for research and development or
6 product design; (B) machinery and equipment that is utilized by a
7 manufacturing or processing business to manufacture or rebuild tangible
8 personal property that is used in manufacturing or processing operations,
9 including tools, dies, molds, forms and other parts of qualifying machinery
10 and equipment; (C) portable plants for aggregate concrete, bulk cement
11 and asphalt including cement mixing drums to be attached to a motor
12 vehicle; (D) industrial fixtures, devices, support facilities and special
13 foundations necessary for manufacturing and production operations, and
14 materials and other tangible personal property sold for the purpose of
15 fabricating such fixtures, devices, facilities and foundations. An exemption
16 certificate for such purchases shall be signed by the manufacturer or
17 processor. If the fabricator purchases such material, the fabricator shall
18 also sign the exemption certificate; and (E) a manufacturing or processing
19 business' laboratory equipment that is not located at the plant or facility,
20 but that would otherwise qualify for exemption under subsection (3)(E).

21 (5) "Machinery and equipment used as an integral or essential part of
22 an integrated production operation" shall not include:

23 (A) Machinery and equipment used for nonproduction purposes,
24 including, but not limited to, machinery and equipment used for plant
25 security, fire prevention, first aid, accounting, administration, record
26 keeping, advertising, marketing, sales or other related activities, plant
27 cleaning, plant communications, and employee work scheduling;

28 (B) machinery, equipment and tools used primarily in maintaining
29 and repairing any type of machinery and equipment or the building and
30 plant;

31 (C) transportation, transmission and distribution equipment not
32 primarily used in a production, warehousing or material handling
33 operation at the plant or facility, including the means of conveyance of
34 natural gas, electricity, oil or water, and equipment related thereto, located
35 outside the plant or facility;

36 (D) office machines and equipment including computers and related
37 peripheral equipment not used directly and primarily to control or measure
38 the manufacturing process;

39 (E) furniture and other furnishings;

40 (F) buildings, other than exempt machinery and equipment that is
41 permanently affixed to or becomes a physical part of the building, and any
42 other part of real estate that is not otherwise exempt;

43 (G) building fixtures that are not integral to the manufacturing

1 operation, such as utility systems for heating, ventilation, air conditioning,
2 communications, plumbing or electrical;

3 (H) machinery and equipment used for general plant heating, cooling
4 and lighting;

5 (I) motor vehicles that are registered for operation on public
6 highways; or

7 (J) employee apparel, except safety and protective apparel that is
8 purchased by an employer and furnished gratuitously to employees who
9 are involved in production or research activities.

10 (6) Subsections (3) and (5) shall not be construed as exclusive listings
11 of the machinery and equipment that qualify or do not qualify as an
12 integral or essential part of an integrated production operation. When
13 machinery or equipment is used as an integral or essential part of
14 production operations part of the time and for nonproduction purpose at
15 other times, the primary use of the machinery or equipment shall
16 determine whether or not such machinery or equipment qualifies for
17 exemption.

18 (7) The secretary of revenue shall adopt rules and regulations
19 necessary to administer the provisions of this subsection;

20 ~~(H) all sales of educational materials purchased for distribution to the
21 public at no charge by a nonprofit corporation organized for the purpose of
22 encouraging, fostering and conducting programs for the improvement of
23 public health;~~

24 ~~(mm) all sales of seeds and tree seedlings; fertilizers, insecticides,
25 herbicides, germicides, pesticides and fungicides; and services, purchased
26 and used for the purpose of producing plants in order to prevent soil
27 erosion on land devoted to agricultural use;~~

28 ~~(nn) except as otherwise provided in this act, all sales of services
29 rendered by an advertising agency or licensed broadcast station or any
30 member, agent or employee thereof;~~

31 ~~(oo) all sales of tangible personal property purchased by a community
32 action group or agency for the exclusive purpose of repairing or
33 weatherizing housing occupied by low income individuals;~~

34 ~~(pp) all sales of drill bits and explosives actually utilized in the
35 exploration and production of oil or gas;~~

36 ~~(qq) all sales of tangible personal property and services purchased by
37 a nonprofit museum or historical society or any combination thereof,
38 including a nonprofit organization which is organized for the purpose of
39 stimulating public interest in the exploration of space by providing
40 educational information, exhibits and experiences, which is exempt from
41 federal income taxation pursuant to section 501(c)(3) of the federal
42 internal revenue code of 1986;~~

43 ~~(rr) all sales of tangible personal property which will admit the~~

1 purchaser thereof to any annual event sponsored by a nonprofit
2 organization which is exempt from federal income taxation pursuant to
3 section 501(c)(3) of the federal internal revenue code of 1986;

4 (ss) ~~all sales of tangible personal property and services purchased by~~
5 ~~a public broadcasting station licensed by the federal communications~~
6 ~~commission as a noncommercial educational television or radio station;~~

7 (tt) ~~all sales of tangible personal property and services purchased by~~
8 ~~or on behalf of a not-for-profit corporation which is exempt from federal~~
9 ~~income taxation pursuant to section 501(c)(3) of the federal internal~~
10 ~~revenue code of 1986, for the sole purpose of constructing a Kansas~~
11 ~~Korean War memorial;~~

12 (uu) ~~all sales of tangible personal property and services purchased by~~
13 ~~or on behalf of any rural volunteer fire-fighting organization for use~~
14 ~~exclusively in the performance of its duties and functions;~~

15 (vv) ~~all sales of tangible personal property purchased by any of the~~
16 ~~following organizations which are exempt from federal income taxation~~
17 ~~pursuant to section 501(c)(3) of the federal internal revenue code of 1986,~~
18 ~~for the following purposes, and all sales of any such property by or on~~
19 ~~behalf of any such organization for any such purpose:~~

20 (1) ~~The American Heart Association, Kansas Affiliate, Inc. for the~~
21 ~~purposes of providing education, training, certification in emergency~~
22 ~~cardiac care, research and other related services to reduce disability and~~
23 ~~death from cardiovascular diseases and stroke;~~

24 (2) ~~the Kansas Alliance for the Mentally Ill, Inc. for the purpose of~~
25 ~~advocacy for persons with mental illness and to education, research and~~
26 ~~support for their families;~~

27 (3) ~~the Kansas Mental Illness Awareness Council for the purposes of~~
28 ~~advocacy for persons who are mentally ill and to education, research and~~
29 ~~support for them and their families;~~

30 (4) ~~the American Diabetes Association Kansas Affiliate, Inc. for the~~
31 ~~purpose of eliminating diabetes through medical research, public education~~
32 ~~focusing on disease prevention and education, patient education including~~
33 ~~information on coping with diabetes, and professional education and~~
34 ~~training;~~

35 (5) ~~the American Lung Association of Kansas, Inc. for the purpose of~~
36 ~~eliminating all lung diseases through medical research, public education~~
37 ~~including information on coping with lung diseases, professional education~~
38 ~~and training related to lung disease and other related services to reduce the~~
39 ~~incidence of disability and death due to lung disease;~~

40 (6) ~~the Kansas chapters of the Alzheimer's Disease and Related~~
41 ~~Disorders Association, Inc. for the purpose of providing assistance and~~
42 ~~support to persons in Kansas with Alzheimer's disease, and their families~~
43 ~~and caregivers;~~

1 ~~(7) the Kansas chapters of the Parkinson's disease association for the~~
2 ~~purpose of eliminating Parkinson's disease through medical research and~~
3 ~~public and professional education related to such disease;~~

4 ~~(8) the National Kidney Foundation of Kansas and Western Missouri~~
5 ~~for the purpose of eliminating kidney disease through medical research~~
6 ~~and public and private education related to such disease;~~

7 ~~(9) the heartstrings community foundation for the purpose of~~
8 ~~providing training, employment and activities for adults with~~
9 ~~developmental disabilities;~~

10 ~~(10) the Cystic Fibrosis Foundation, Heart of America Chapter, for~~
11 ~~the purposes of assuring the development of the means to cure and control~~
12 ~~cystic fibrosis and improving the quality of life for those with the disease;~~

13 ~~(11) the spina bifida association of Kansas for the purpose of~~
14 ~~providing financial, educational and practical aid to families and~~
15 ~~individuals with spina bifida. Such aid includes, but is not limited to,~~
16 ~~funding for medical devices, counseling and medical educational~~
17 ~~opportunities;~~

18 ~~(12) the CHWC, Inc., for the purpose of rebuilding urban core~~
19 ~~neighborhoods through the construction of new homes, acquiring and~~
20 ~~renovating existing homes and other related activities, and promoting~~
21 ~~economic development in such neighborhoods;~~

22 ~~(13) the cross-lines cooperative council for the purpose of providing~~
23 ~~social services to low income individuals and families;~~

24 ~~(14) the Dreams Work, Inc., for the purpose of providing young adult~~
25 ~~day services to individuals with developmental disabilities and assisting~~
26 ~~families in avoiding institutional or nursing home care for a~~
27 ~~developmentally disabled member of their family;~~

28 ~~(15) the KSDS, Inc., for the purpose of promoting the independence~~
29 ~~and inclusion of people with disabilities as fully participating and~~
30 ~~contributing members of their communities and society through the~~
31 ~~training and providing of guide and service dogs to people with~~
32 ~~disabilities, and providing disability education and awareness to the~~
33 ~~general public;~~

34 ~~(16) the Lyme Association of Greater Kansas City, Inc., for the purpose~~
35 ~~of providing support to persons with Lyme disease and public education~~
36 ~~relating to the prevention, treatment and cure of Lyme disease;~~

37 ~~(17) the Dream Factory, Inc., for the purpose of granting the dreams~~
38 ~~of children with critical and chronic illnesses;~~

39 ~~(18) the Ottawa Suzuki Strings, Inc., for the purpose of providing~~
40 ~~students and families with education and resources necessary to enable~~
41 ~~each child to develop fine character and musical ability to the fullest~~
42 ~~potential;~~

43 ~~(19) the International Association of Lions Clubs for the purpose of~~

1 creating and fostering a spirit of understanding among all people for
2 humanitarian needs by providing voluntary services through community
3 involvement and international cooperation;

4 ~~(20) the Johnson county young matrons, inc., for the purpose of~~
5 ~~promoting a positive future for members of the community through~~
6 ~~volunteerism, financial support and education through the efforts of an all~~
7 ~~volunteer organization;~~

8 ~~(21) the American Cancer Society, Inc., for the purpose of eliminating~~
9 ~~cancer as a major health problem by preventing cancer, saving lives and~~
10 ~~diminishing suffering from cancer, through research, education, advocacy~~
11 ~~and service;~~

12 ~~(22) the community services of Shawnee, inc., for the purpose of~~
13 ~~providing food and clothing to those in need;~~

14 ~~(23) the angel babies association, for the purpose of providing~~
15 ~~assistance, support and items of necessity to teenage mothers and their~~
16 ~~babies; and~~

17 ~~(24) the Kansas fairgrounds foundation for the purpose of the~~
18 ~~preservation, renovation and beautification of the Kansas state fairgrounds;~~

19 ~~(ww) all sales of tangible personal property purchased by the Habitat~~
20 ~~for Humanity for the exclusive use of being incorporated within a housing~~
21 ~~project constructed by such organization;~~

22 ~~(xx) all sales of tangible personal property and services purchased by~~
23 ~~a nonprofit zoo which is exempt from federal income taxation pursuant to~~
24 ~~section 501(e)(3) of the federal internal revenue code of 1986, or on behalf~~
25 ~~of such zoo by an entity itself exempt from federal income taxation~~
26 ~~pursuant to section 501(e)(3) of the federal internal revenue code of 1986~~
27 ~~contracted with to operate such zoo and all sales of tangible personal~~
28 ~~property or services purchased by a contractor for the purpose of~~
29 ~~constructing, equipping, reconstructing, maintaining, repairing, enlarging,~~
30 ~~furnishing or remodeling facilities for any nonprofit zoo which would be~~
31 ~~exempt from taxation under the provisions of this section if purchased~~
32 ~~directly by such nonprofit zoo or the entity operating such zoo. Nothing in~~
33 ~~this subsection shall be deemed to exempt the purchase of any construction~~
34 ~~machinery, equipment or tools used in the constructing, equipping,~~
35 ~~reconstructing, maintaining, repairing, enlarging, furnishing or remodeling~~
36 ~~facilities for any nonprofit zoo. When any nonprofit zoo shall contract for~~
37 ~~the purpose of constructing, equipping, reconstructing, maintaining,~~
38 ~~repairing, enlarging, furnishing or remodeling facilities, it shall obtain~~
39 ~~from the state and furnish to the contractor an exemption certificate for the~~
40 ~~project involved, and the contractor may purchase materials for~~
41 ~~incorporation in such project. The contractor shall furnish the number of~~
42 ~~such certificate to all suppliers from whom such purchases are made, and~~
43 ~~such suppliers shall execute invoices covering the same bearing the~~

1 number of such certificate. Upon completion of the project the contractor
2 shall furnish to the nonprofit zoo concerned a sworn statement, on a form
3 to be provided by the director of taxation, that all purchases so made were
4 entitled to exemption under this subsection. All invoices shall be held by
5 the contractor for a period of five years and shall be subject to audit by the
6 director of taxation. If any materials purchased under such a certificate are
7 found not to have been incorporated in the building or other project or not
8 to have been returned for credit or the sales or compensating tax otherwise
9 imposed upon such materials which will not be so incorporated in the
10 building or other project reported and paid by such contractor to the
11 director of taxation not later than the 20th day of the month following the
12 close of the month in which it shall be determined that such materials will
13 not be used for the purpose for which such certificate was issued, the
14 nonprofit zoo concerned shall be liable for tax on all materials purchased
15 for the project, and upon payment thereof it may recover the same from
16 the contractor together with reasonable attorney fees. Any contractor or
17 any agent, employee or subcontractor thereof, who shall use or otherwise
18 dispose of any materials purchased under such a certificate for any purpose
19 other than that for which such a certificate is issued without the payment
20 of the sales or compensating tax otherwise imposed upon such materials,
21 shall be guilty of a misdemeanor and, upon conviction therefor, shall be
22 subject to the penalties provided for in subsection (g) of K.S.A. 79-3615,
23 and amendments thereto;

24 (yy) all sales of tangible personal property and services purchased by
25 a parent-teacher association or organization, and all sales of tangible
26 personal property by or on behalf of such association or organization;

27 (zz) all sales of machinery and equipment purchased by over-the-air,
28 free access radio or television station which is used directly and primarily
29 for the purpose of producing a broadcast signal or is such that the failure
30 of the machinery or equipment to operate would cause broadcasting to
31 cease. For purposes of this subsection, machinery and equipment shall
32 include, but not be limited to, that required by rules and regulations of the
33 federal communications commission, and all sales of electricity which are
34 essential or necessary for the purpose of producing a broadcast signal or is
35 such that the failure of the electricity would cause broadcasting to cease;

36 (aaa) all sales of tangible personal property and services purchased by
37 a religious organization which is exempt from federal income taxation
38 pursuant to section 501(c)(3) of the federal internal revenue code, and used
39 exclusively for religious purposes, and all sales of tangible personal
40 property or services purchased by a contractor for the purpose of
41 constructing, equipping, reconstructing, maintaining, repairing, enlarging,
42 furnishing or remodeling facilities for any such organization which would
43 be exempt from taxation under the provisions of this section if purchased

1 directly by such organization. Nothing in this subsection shall be deemed
2 to exempt the purchase of any construction machinery, equipment or tools
3 used in the constructing, equipping, reconstructing, maintaining, repairing,
4 enlarging, furnishing or remodeling facilities for any such organization.
5 When any such organization shall contract for the purpose of constructing,
6 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or
7 remodeling facilities, it shall obtain from the state and furnish to the
8 contractor an exemption certificate for the project involved, and the
9 contractor may purchase materials for incorporation in such project. The
10 contractor shall furnish the number of such certificate to all suppliers from
11 whom such purchases are made, and such suppliers shall execute invoices
12 covering the same bearing the number of such certificate. Upon
13 completion of the project the contractor shall furnish to such organization
14 concerned a sworn statement, on a form to be provided by the director of
15 taxation, that all purchases so made were entitled to exemption under this
16 subsection. All invoices shall be held by the contractor for a period of five
17 years and shall be subject to audit by the director of taxation. If any
18 materials purchased under such a certificate are found not to have been
19 incorporated in the building or other project or not to have been returned
20 for credit or the sales or compensating tax otherwise imposed upon such
21 materials which will not be so incorporated in the building or other project
22 reported and paid by such contractor to the director of taxation not later
23 than the 20th day of the month following the close of the month in which it
24 shall be determined that such materials will not be used for the purpose for
25 which such certificate was issued, such organization concerned shall be
26 liable for tax on all materials purchased for the project, and upon payment
27 thereof it may recover the same from the contractor together with
28 reasonable attorney fees. Any contractor or any agent, employee or
29 subcontractor thereof, who shall use or otherwise dispose of any materials
30 purchased under such a certificate for any purpose other than that for
31 which such a certificate is issued without the payment of the sales or
32 compensating tax otherwise imposed upon such materials, shall be guilty
33 of a misdemeanor and, upon conviction therefor, shall be subject to the
34 penalties provided for in subsection (g) of K.S.A. 79-3615, and
35 amendments thereto. Sales tax paid on and after July 1, 1998, but prior to
36 the effective date of this act upon the gross receipts received from any sale
37 exempted by the amendatory provisions of this subsection shall be
38 refunded. Each claim for a sales tax refund shall be verified and submitted
39 to the director of taxation upon forms furnished by the director and shall
40 be accompanied by any additional documentation required by the director.
41 The director shall review each claim and shall refund that amount of sales
42 tax paid as determined under the provisions of this subsection. All refunds
43 shall be paid from the sales tax refund fund upon warrants of the director

1 of accounts and reports pursuant to vouchers approved by the director or
2 the director's designee;

3 ~~(bbb) all sales of food for human consumption by an organization~~
4 ~~which is exempt from federal income taxation pursuant to section 501(c)~~
5 ~~(3) of the federal internal revenue code of 1986, pursuant to a food~~
6 ~~distribution program which offers such food at a price below cost in~~
7 ~~exchange for the performance of community service by the purchaser~~
8 ~~thereof;~~

9 ~~(ccc) on and after July 1, 1999, all sales of tangible personal property~~
10 ~~and services purchased by a primary care clinic or health center the~~
11 ~~primary purpose of which is to provide services to medically underserved~~
12 ~~individuals and families, and which is exempt from federal income~~
13 ~~taxation pursuant to section 501(c)(3) of the federal internal revenue code,~~
14 ~~and all sales of tangible personal property or services purchased by a~~
15 ~~contractor for the purpose of constructing, equipping, reconstructing,~~
16 ~~maintaining, repairing, enlarging, furnishing or remodeling facilities for~~
17 ~~any such clinic or center which would be exempt from taxation under the~~
18 ~~provisions of this section if purchased directly by such clinic or center.~~
19 ~~Nothing in this subsection shall be deemed to exempt the purchase of any~~
20 ~~construction machinery, equipment or tools used in the constructing,~~
21 ~~equipping, reconstructing, maintaining, repairing, enlarging, furnishing or~~
22 ~~remodeling facilities for any such clinic or center. When any such clinic or~~
23 ~~center shall contract for the purpose of constructing, equipping,~~
24 ~~reconstructing, maintaining, repairing, enlarging, furnishing or remodeling~~
25 ~~facilities, it shall obtain from the state and furnish to the contractor an~~
26 ~~exemption certificate for the project involved, and the contractor may~~
27 ~~purchase materials for incorporation in such project. The contractor shall~~
28 ~~furnish the number of such certificate to all suppliers from whom such~~
29 ~~purchases are made, and such suppliers shall execute invoices covering the~~
30 ~~same bearing the number of such certificate. Upon completion of the~~
31 ~~project the contractor shall furnish to such clinic or center concerned a~~
32 ~~sworn statement, on a form to be provided by the director of taxation, that~~
33 ~~all purchases so made were entitled to exemption under this subsection.~~
34 ~~All invoices shall be held by the contractor for a period of five years and~~
35 ~~shall be subject to audit by the director of taxation. If any materials~~
36 ~~purchase under such a certificate are found not to have been incorporated~~
37 ~~in the building or other project or not to have been returned for credit or~~
38 ~~the sales or compensating tax otherwise imposed upon such materials~~
39 ~~which will not be so incorporated in the building or other project reported~~
40 ~~and paid by such contractor to the director of taxation not later than the~~
41 ~~20th day of the month following the close of the month in which it shall be~~
42 ~~determined that such materials will not be used for the purpose for which~~
43 ~~such certificate was issued, such clinic or center concerned shall be liable~~

1 for tax on all materials purchased for the project, and upon payment
2 thereof it may recover the same from the contractor together with
3 reasonable attorney fees. Any contractor or any agent, employee or
4 subcontractor thereof, who shall use or otherwise dispose of any materials
5 purchased under such a certificate for any purpose other than that for
6 which such a certificate is issued without the payment of the sales or
7 compensating tax otherwise imposed upon such materials, shall be guilty
8 of a misdemeanor and, upon conviction therefor, shall be subject to the
9 penalties provided for in subsection (g) of K.S.A. 79-3615, and
10 amendments thereto;

11 (ddd) on and after January 1, 1999, and before January 1, 2000, all
12 sales of materials and services purchased by any class II or III railroad as
13 classified by the federal surface transportation board for the construction,
14 renovation, repair or replacement of class II or III railroad track and
15 facilities used directly in interstate commerce. In the event any such track
16 or facility for which materials and services were purchased sales tax
17 exempt is not operational for five years succeeding the allowance of such
18 exemption, the total amount of sales tax which would have been payable
19 except for the operation of this subsection shall be recouped in accordance
20 with rules and regulations adopted for such purpose by the secretary of
21 revenue;

22 (eee) on and after January 1, 1999, and before January 1, 2001, all
23 sales of materials and services purchased for the original construction,
24 reconstruction, repair or replacement of grain storage facilities, including
25 railroad sidings providing access thereto;

26 (fff) all sales of material handling equipment, racking systems and
27 other related machinery and equipment that is used for the handling,
28 movement or storage of tangible personal property in a warehouse or
29 distribution facility in this state; all sales of installation, repair and
30 maintenance services performed on such machinery and equipment; and
31 all sales of repair and replacement parts for such machinery and
32 equipment. For purposes of this subsection, a warehouse or distribution
33 facility means a single, fixed location that consists of buildings or
34 structures in a contiguous area where storage or distribution operations are
35 conducted that are separate and apart from the business' retail operations,
36 if any, and which do not otherwise qualify for exemption as occurring at a
37 manufacturing or processing plant or facility. Material handling and
38 storage equipment shall include aeration, dust control, cleaning, handling
39 and other such equipment that is used in a public grain warehouse or other
40 commercial grain storage facility, whether used for grain handling, grain
41 storage, grain refining or processing, or other grain treatment operation;

42 (ggg) all sales of tangible personal property and services purchased
43 by or on behalf of the Kansas Academy of Science which is exempt from

1 federal income taxation pursuant to section 501(c)(3) of the federal
2 internal revenue code of 1986, and used solely by such academy for the
3 preparation, publication and dissemination of education materials;

4 (hhh)—all sales of tangible personal property and services purchased
5 by or on behalf of all domestic violence shelters that are member agencies
6 of the Kansas coalition against sexual and domestic violence;

7 (iii)—all sales of personal property and services purchased by an
8 organization which is exempt from federal income taxation pursuant to
9 section 501(c)(3) of the federal internal revenue code of 1986, and which
10 such personal property and services are used by any such organization in
11 the collection, storage and distribution of food products to nonprofit
12 organizations which distribute such food products to persons pursuant to a
13 food distribution program on a charitable basis without fee or charge, and
14 all sales of tangible personal property or services purchased by a
15 contractor for the purpose of constructing, equipping, reconstructing,
16 maintaining, repairing, enlarging, furnishing or remodeling facilities used
17 for the collection and storage of such food products for any such
18 organization which is exempt from federal income taxation pursuant to
19 section 501(c)(3) of the federal internal revenue code of 1986, which
20 would be exempt from taxation under the provisions of this section if
21 purchased directly by such organization. Nothing in this subsection shall
22 be deemed to exempt the purchase of any construction machinery,
23 equipment or tools used in the constructing, equipping, reconstructing,
24 maintaining, repairing, enlarging, furnishing or remodeling facilities for
25 any such organization. When any such organization shall contract for the
26 purpose of constructing, equipping, reconstructing, maintaining, repairing,
27 enlarging, furnishing or remodeling facilities, it shall obtain from the state
28 and furnish to the contractor an exemption certificate for the project
29 involved, and the contractor may purchase materials for incorporation in
30 such project. The contractor shall furnish the number of such certificate to
31 all suppliers from whom such purchases are made, and such suppliers shall
32 execute invoices covering the same bearing the number of such certificate.
33 Upon completion of the project the contractor shall furnish to such
34 organization concerned a sworn statement, on a form to be provided by the
35 director of taxation, that all purchases so made were entitled to exemption
36 under this subsection. All invoices shall be held by the contractor for a
37 period of five years and shall be subject to audit by the director of taxation.
38 If any materials purchased under such a certificate are found not to have
39 been incorporated in such facilities or not to have been returned for credit
40 or the sales or compensating tax otherwise imposed upon such materials
41 which will not be so incorporated in such facilities reported and paid by
42 such contractor to the director of taxation not later than the 20th day of the
43 month following the close of the month in which it shall be determined

1 that such materials will not be used for the purpose for which such
2 certificate was issued, such organization concerned shall be liable for tax
3 on all materials purchased for the project, and upon payment thereof it
4 may recover the same from the contractor together with reasonable
5 attorney fees. Any contractor or any agent, employee or subcontractor
6 thereof, who shall use or otherwise dispose of any materials purchased
7 under such a certificate for any purpose other than that for which such a
8 certificate is issued without the payment of the sales or compensating tax
9 otherwise imposed upon such materials, shall be guilty of a misdemeanor
10 and, upon conviction therefor, shall be subject to the penalties provided for
11 in subsection (g) of K.S.A. 79-3615, and amendments thereto. Sales tax
12 paid on and after July 1, 2005, but prior to the effective date of this act
13 upon the gross receipts received from any sale exempted by the
14 amendatory provisions of this subsection shall be refunded. Each claim for
15 a sales tax refund shall be verified and submitted to the director of taxation
16 upon forms furnished by the director and shall be accompanied by any
17 additional documentation required by the director. The director shall
18 review each claim and shall refund that amount of sales tax paid as
19 determined under the provisions of this subsection. All refunds shall be
20 paid from the sales tax refund fund upon warrants of the director of
21 accounts and reports pursuant to vouchers approved by the director or the
22 director's designee;

23 (jjj)(u) all sales of dietary supplements dispensed pursuant to a
24 prescription order by a licensed practitioner or a mid-level practitioner as
25 defined by K.S.A. 65-1626, and amendments thereto. As used in this
26 subsection, "dietary supplement" means any product, other than tobacco,
27 intended to supplement the diet that: (1) Contains one or more of the
28 following dietary ingredients: A vitamin, a mineral, an herb or other
29 botanical, an amino acid, a dietary substance for use by humans to
30 supplement the diet by increasing the total dietary intake or a concentrate,
31 metabolite, constituent, extract or combination of any such ingredient; (2)
32 is intended for ingestion in tablet, capsule, powder, softgel, gelcap or
33 liquid form, or if not intended for ingestion, in such a form, is not
34 represented as conventional food and is not represented for use as a sole
35 item of a meal or of the diet; and (3) is required to be labeled as a dietary
36 supplement, identifiable by the supplemental facts box found on the label
37 and as required pursuant to 21 C.F.R. § 101.36; and

38 (Hh) all sales of tangible personal property and services purchased by
39 special olympics Kansas, inc. for the purpose of providing year-round
40 sports training and athletic competition in a variety of olympic-type sports
41 for individuals with intellectual disabilities by giving them continuing
42 opportunities to develop physical fitness, demonstrate courage, experience
43 joy and participate in a sharing of gifts, skills and friendship with their

1 families, other special olympics athletes and the community, and activities
2 provided or sponsored by such organization, and all sales of tangible
3 personal property by or on behalf of any such organization;

4 (~~mmm~~)— all sales of tangible personal property purchased by or on
5 behalf of the Marillac Center, Inc., which is exempt from federal income
6 taxation pursuant to section 501(c)(3) of the federal internal revenue code,
7 for the purpose of providing psycho-social-biological and special
8 education services to children, and all sales of any such property by or on
9 behalf of such organization for such purpose;

10 (~~mmn~~)— all sales of tangible personal property and services purchased
11 by the West Sedgwick County Sunrise Rotary Club and Sunrise Charitable
12 Fund for the purpose of constructing a boundless playground which is an
13 integrated, barrier free and developmentally advantageous play
14 environment for children of all abilities and disabilities;

15 (~~ooo~~)— all sales of tangible personal property by or on behalf of a
16 public library serving the general public and supported in whole or in part
17 with tax money or a not-for-profit organization whose purpose is to raise
18 funds for or provide services or other benefits to any such public library;

19 (~~ppp~~)— all sales of tangible personal property and services purchased
20 by or on behalf of a homeless shelter which is exempt from federal income
21 taxation pursuant to section 501(c)(3) of the federal income tax code of
22 1986, and used by any such homeless shelter to provide emergency and
23 transitional housing for individuals and families experiencing
24 homelessness, and all sales of any such property by or on behalf of any
25 such homeless shelter for any such purpose;

26 (~~qqq~~)— all sales of tangible personal property and services purchased
27 by TLC for children and families, inc., hereinafter referred to as TLC,
28 which is exempt from federal income taxation pursuant to section 501(e)
29 (3) of the federal internal revenue code of 1986, and which such property
30 and services are used for the purpose of providing emergency shelter and
31 treatment for abused and neglected children as well as meeting additional
32 critical needs for children, juveniles and family, and all sales of any such
33 property by or on behalf of TLC for any such purpose; and all sales of
34 tangible personal property or services purchased by a contractor for the
35 purpose of constructing, maintaining, repairing, enlarging, furnishing or
36 remodeling facilities for the operation of services for TLC for any such
37 purpose which would be exempt from taxation under the provisions of this
38 section if purchased directly by TLC. Nothing in this subsection shall be
39 deemed to exempt the purchase of any construction machinery, equipment
40 or tools used in the constructing, maintaining, repairing, enlarging,
41 furnishing or remodeling such facilities for TLC. When TLC contracts for
42 the purpose of constructing, maintaining, repairing, enlarging, furnishing
43 or remodeling such facilities, it shall obtain from the state and furnish to

1 the contractor an exemption certificate for the project involved, and the
2 contractor may purchase materials for incorporation in such project. The
3 contractor shall furnish the number of such certificate to all suppliers from
4 whom such purchases are made, and such suppliers shall execute invoices
5 covering the same bearing the number of such certificate. Upon
6 completion of the project the contractor shall furnish to TLC a sworn
7 statement, on a form to be provided by the director of taxation, that all
8 purchases so made were entitled to exemption under this subsection. All
9 invoices shall be held by the contractor for a period of five years and shall
10 be subject to audit by the director of taxation. If any materials purchased
11 under such a certificate are found not to have been incorporated in the
12 building or other project or not to have been returned for credit or the sales
13 or compensating tax otherwise imposed upon such materials which will
14 not be so incorporated in the building or other project reported and paid by
15 such contractor to the director of taxation not later than the 20th day of the
16 month following the close of the month in which it shall be determined
17 that such materials will not be used for the purpose for which such
18 certificate was issued, TLC shall be liable for tax on all materials
19 purchased for the project, and upon payment thereof it may recover the
20 same from the contractor together with reasonable attorney fees. Any
21 contractor or any agent, employee or subcontractor thereof, who shall use
22 or otherwise dispose of any materials purchased under such a certificate
23 for any purpose other than that for which such a certificate is issued
24 without the payment of the sales or compensating tax otherwise imposed
25 upon such materials, shall be guilty of a misdemeanor and, upon
26 conviction therefor, shall be subject to the penalties provided for in
27 subsection (g) of K.S.A. 79-3615, and amendments thereto;

28 (rrr) ~~all sales of tangible personal property and services purchased by~~
29 ~~any county law library maintained pursuant to law and sales of tangible~~
30 ~~personal property and services purchased by an organization which would~~
31 ~~have been exempt from taxation under the provisions of this subsection if~~
32 ~~purchased directly by the county law library for the purpose of providing~~
33 ~~legal resources to attorneys, judges, students and the general public, and~~
34 ~~all sales of any such property by or on behalf of any such county law~~
35 ~~library;~~

36 (sss) ~~all sales of tangible personal property and services purchased by~~
37 ~~catholic charities or youthville, hereinafter referred to as charitable family~~
38 ~~providers, which is exempt from federal income taxation pursuant to~~
39 ~~section 501(e)(3) of the federal internal revenue code of 1986, and which~~
40 ~~such property and services are used for the purpose of providing~~
41 ~~emergency shelter and treatment for abused and neglected children as well~~
42 ~~as meeting additional critical needs for children, juveniles and family, and~~
43 ~~all sales of any such property by or on behalf of charitable family~~

1 providers for any such purpose; and all sales of tangible personal property
2 or services purchased by a contractor for the purpose of constructing,
3 maintaining, repairing, enlarging, furnishing or remodeling facilities for
4 the operation of services for charitable family providers for any such
5 purpose which would be exempt from taxation under the provisions of this
6 section if purchased directly by charitable family providers. Nothing in
7 this subsection shall be deemed to exempt the purchase of any construction
8 machinery, equipment or tools used in the constructing, maintaining,
9 repairing, enlarging, furnishing or remodeling such facilities for charitable
10 family providers. When charitable family providers contracts for the
11 purpose of constructing, maintaining, repairing, enlarging, furnishing or
12 remodeling such facilities, it shall obtain from the state and furnish to the
13 contractor an exemption certificate for the project involved, and the
14 contractor may purchase materials for incorporation in such project. The
15 contractor shall furnish the number of such certificate to all suppliers from
16 whom such purchases are made, and such suppliers shall execute invoices
17 covering the same bearing the number of such certificate. Upon
18 completion of the project the contractor shall furnish to charitable family
19 providers a sworn statement, on a form to be provided by the director of
20 taxation, that all purchases so made were entitled to exemption under this
21 subsection. All invoices shall be held by the contractor for a period of five
22 years and shall be subject to audit by the director of taxation. If any
23 materials purchased under such a certificate are found not to have been
24 incorporated in the building or other project or not to have been returned
25 for credit or the sales or compensating tax otherwise imposed upon such
26 materials which will not be so incorporated in the building or other project
27 reported and paid by such contractor to the director of taxation not later
28 than the 20th day of the month following the close of the month in which it
29 shall be determined that such materials will not be used for the purpose for
30 which such certificate was issued, charitable family providers shall be
31 liable for tax on all materials purchased for the project, and upon payment
32 thereof it may recover the same from the contractor together with
33 reasonable attorney fees. Any contractor or any agent, employee or
34 subcontractor thereof, who shall use or otherwise dispose of any materials
35 purchased under such a certificate for any purpose other than that for
36 which such a certificate is issued without the payment of the sales or
37 compensating tax otherwise imposed upon such materials, shall be guilty
38 of a misdemeanor and, upon conviction therefor, shall be subject to the
39 penalties provided for in subsection (g) of K.S.A. 79-3615, and
40 amendments thereto;

41 (ttt) all sales of tangible personal property or services purchased by a
42 contractor for a project for the purpose of restoring, constructing,
43 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or

1 remodeling a home or facility owned by a nonprofit museum which has
2 been granted an exemption pursuant to subsection (qq), which such home
3 or facility is located in a city which has been designated as a qualified
4 hometown pursuant to the provisions of K.S.A. 75-5071 ., and
5 amendments thereto, and which such project is related to the purposes of
6 K.S.A. 75-5071 ., and amendments thereto, and which would be exempt
7 from taxation under the provisions of this section if purchased directly by
8 such nonprofit museum. Nothing in this subsection shall be deemed to
9 exempt the purchase of any construction machinery, equipment or tools
10 used in the restoring, constructing, equipping, reconstructing, maintaining,
11 repairing, enlarging, furnishing or remodeling a home or facility for any
12 such nonprofit museum. When any such nonprofit museum shall contract
13 for the purpose of restoring, constructing, equipping, reconstructing,
14 maintaining, repairing, enlarging, furnishing or remodeling a home or
15 facility, it shall obtain from the state and furnish to the contractor an
16 exemption certificate for the project involved, and the contractor may
17 purchase materials for incorporation in such project. The contractor shall
18 furnish the number of such certificates to all suppliers from whom such
19 purchases are made, and such suppliers shall execute invoices covering the
20 same bearing the number of such certificate. Upon completion of the
21 project, the contractor shall furnish to such nonprofit museum a sworn
22 statement on a form to be provided by the director of taxation that all
23 purchases so made were entitled to exemption under this subsection. All
24 invoices shall be held by the contractor for a period of five years and shall
25 be subject to audit by the director of taxation. If any materials purchased
26 under such a certificate are found not to have been incorporated in the
27 building or other project or not to have been returned for credit or the sales
28 or compensating tax otherwise imposed upon such materials which will
29 not be so incorporated in a home or facility or other project reported and
30 paid by such contractor to the director of taxation not later than the 20th
31 day of the month following the close of the month in which it shall be
32 determined that such materials will not be used for the purpose for which
33 such certificate was issued, such nonprofit museum shall be liable for tax
34 on all materials purchased for the project, and upon payment thereof it
35 may recover the same from the contractor together with reasonable
36 attorney fees. Any contractor or any agent, employee or subcontractor
37 thereof, who shall use or otherwise dispose of any materials purchased
38 under such a certificate for any purpose other than that for which such a
39 certificate is issued without the payment of the sales or compensating tax
40 otherwise imposed upon such materials, shall be guilty of a misdemeanor
41 and, upon conviction therefor, shall be subject to the penalties provided for
42 in subsection (g) of K.S.A. 79-3615, and amendments thereto;

43 (uuu)—all sales of tangible personal property and services purchased

1 by Kansas children's service league, hereinafter referred to as KCSL,
2 which is exempt from federal income taxation pursuant to section 501(c)
3 (3) of the federal internal revenue code of 1986, and which such property
4 and services are used for the purpose of providing for the prevention and
5 treatment of child abuse and maltreatment as well as meeting additional
6 critical needs for children, juveniles and family, and all sales of any such
7 property by or on behalf of KCSL for any such purpose; and all sales of
8 tangible personal property or services purchased by a contractor for the
9 purpose of constructing, maintaining, repairing, enlarging, furnishing or
10 remodeling facilities for the operation of services for KCSL for any such
11 purpose which would be exempt from taxation under the provisions of this
12 section if purchased directly by KCSL. Nothing in this subsection shall be
13 deemed to exempt the purchase of any construction machinery, equipment
14 or tools used in the constructing, maintaining, repairing, enlarging,
15 furnishing or remodeling such facilities for KCSL. When KCSL contracts
16 for the purpose of constructing, maintaining, repairing, enlarging,
17 furnishing or remodeling such facilities, it shall obtain from the state and
18 furnish to the contractor an exemption certificate for the project involved,
19 and the contractor may purchase materials for incorporation in such
20 project. The contractor shall furnish the number of such certificate to all
21 suppliers from whom such purchases are made, and such suppliers shall
22 execute invoices covering the same bearing the number of such certificate.
23 Upon completion of the project the contractor shall furnish to KCSL a
24 sworn statement, on a form to be provided by the director of taxation, that
25 all purchases so made were entitled to exemption under this subsection.
26 All invoices shall be held by the contractor for a period of five years and
27 shall be subject to audit by the director of taxation. If any materials
28 purchased under such a certificate are found not to have been incorporated
29 in the building or other project or not to have been returned for credit or
30 the sales or compensating tax otherwise imposed upon such materials
31 which will not be so incorporated in the building or other project reported
32 and paid by such contractor to the director of taxation not later than the
33 20th day of the month following the close of the month in which it shall be
34 determined that such materials will not be used for the purpose for which
35 such certificate was issued, KCSL shall be liable for tax on all materials
36 purchased for the project, and upon payment thereof it may recover the
37 same from the contractor together with reasonable attorney fees. Any
38 contractor or any agent, employee or subcontractor thereof, who shall use
39 or otherwise dispose of any materials purchased under such a certificate
40 for any purpose other than that for which such a certificate is issued
41 without the payment of the sales or compensating tax otherwise imposed
42 upon such materials, shall be guilty of a misdemeanor and, upon
43 conviction therefor, shall be subject to the penalties provided for in

1 subsection (g) of K.S.A. 79-3615, and amendments thereto;

2 ~~(vvv) all sales of tangible personal property or services, including the~~
3 ~~renting and leasing of tangible personal property or services, purchased by~~
4 ~~Jazz in the Woods, Inc., a Kansas corporation which is exempt from~~
5 ~~federal income taxation pursuant to section 501(c)(3) of the federal~~
6 ~~internal revenue code, for the purpose of providing Jazz in the Woods, an~~
7 ~~event benefiting children-in-need and other nonprofit charities assisting~~
8 ~~such children, and all sales of any such property by or on behalf of such~~
9 ~~organization for such purpose;~~

10 ~~(www) all sales of tangible personal property purchased by or on~~
11 ~~behalf of the Frontenac Education Foundation, which is exempt from~~
12 ~~federal income taxation pursuant to section 501(c)(3) of the federal~~
13 ~~internal revenue code, for the purpose of providing education support for~~
14 ~~students, and all sales of any such property by or on behalf of such~~
15 ~~organization for such purpose;~~

16 ~~(xxx) all sales of personal property and services purchased by the~~
17 ~~booth theatre foundation, inc., an organization which is exempt from~~
18 ~~federal income taxation pursuant to section 501(c)(3) of the federal~~
19 ~~internal revenue code of 1986, and which such personal property and~~
20 ~~services are used by any such organization in the constructing, equipping,~~
21 ~~reconstructing, maintaining, repairing, enlarging, furnishing or remodeling~~
22 ~~of the booth theatre, and all sales of tangible personal property or services~~
23 ~~purchased by a contractor for the purpose of constructing, equipping,~~
24 ~~reconstructing, maintaining, repairing, enlarging, furnishing or remodeling~~
25 ~~the booth theatre for such organization, which would be exempt from~~
26 ~~taxation under the provisions of this section if purchased directly by such~~
27 ~~organization. Nothing in this subsection shall be deemed to exempt the~~
28 ~~purchase of any construction machinery, equipment or tools used in the~~
29 ~~constructing, equipping, reconstructing, maintaining, repairing, enlarging,~~
30 ~~furnishing or remodeling facilities for any such organization. When any~~
31 ~~such organization shall contract for the purpose of constructing, equipping,~~
32 ~~reconstructing, maintaining, repairing, enlarging, furnishing or remodeling~~
33 ~~facilities, it shall obtain from the state and furnish to the contractor an~~
34 ~~exemption certificate for the project involved, and the contractor may~~
35 ~~purchase materials for incorporation in such project. The contractor shall~~
36 ~~furnish the number of such certificate to all suppliers from whom such~~
37 ~~purehases are made, and such suppliers shall execute invoices covering the~~
38 ~~same bearing the number of such certificate. Upon completion of the~~
39 ~~project the contractor shall furnish to such organization concerned a sworn~~
40 ~~statement, on a form to be provided by the director of taxation, that all~~
41 ~~purehases so made were entitled to exemption under this subsection. All~~
42 ~~invoices shall be held by the contractor for a period of five years and shall~~
43 ~~be subject to audit by the director of taxation. If any materials purchased~~

1 under such a certificate are found not to have been incorporated in such
2 facilities or not to have been returned for credit or the sales or
3 compensating tax otherwise imposed upon such materials which will not
4 be so incorporated in such facilities reported and paid by such contractor
5 to the director of taxation not later than the 20th day of the month following
6 the close of the month in which it shall be determined that such materials
7 will not be used for the purpose for which such certificate was issued, such
8 organization concerned shall be liable for tax on all materials purchased
9 for the project, and upon payment thereof it may recover the same from
10 the contractor together with reasonable attorney fees. Any contractor or
11 any agent, employee or subcontractor thereof, who shall use or otherwise
12 dispose of any materials purchased under such a certificate for any purpose
13 other than that for which such a certificate is issued without the payment
14 of the sales or compensating tax otherwise imposed upon such materials,
15 shall be guilty of a misdemeanor and, upon conviction therefor, shall be
16 subject to the penalties provided for in subsection (g) of K.S.A. 79-3615,
17 and amendments thereto. Sales tax paid on and after January 1, 2007, but
18 prior to the effective date of this act upon the gross receipts received from
19 any sale which would have been exempted by the provisions of this
20 subsection had such sale occurred after the effective date of this act shall
21 be refunded. Each claim for a sales tax refund shall be verified and
22 submitted to the director of taxation upon forms furnished by the director
23 and shall be accompanied by any additional documentation required by the
24 director. The director shall review each claim and shall refund that amount
25 of sales tax paid as determined under the provisions of this subsection. All
26 refunds shall be paid from the sales tax refund fund upon warrants of the
27 director of accounts and reports pursuant to vouchers approved by the
28 director or the director's designee;

29 (yyy) ~~all sales of tangible personal property and services purchased~~
30 ~~by TLC charities foundation, inc., hereinafter referred to as TLC charities,~~
31 ~~which is exempt from federal income taxation pursuant to section 501(e)~~
32 ~~(3) of the federal internal revenue code of 1986, and which such property~~
33 ~~and services are used for the purpose of encouraging private philanthropy~~
34 ~~to further the vision, values, and goals of TLC for children and families,~~
35 ~~inc.; and all sales of such property and services by or on behalf of TLC~~
36 ~~charities for any such purpose and all sales of tangible personal property or~~
37 ~~services purchased by a contractor for the purpose of constructing,~~
38 ~~maintaining, repairing, enlarging, furnishing or remodeling facilities for~~
39 ~~the operation of services for TLC charities for any such purpose which~~
40 ~~would be exempt from taxation under the provisions of this section if~~
41 ~~purchased directly by TLC charities. Nothing in this subsection shall be~~
42 ~~deemed to exempt the purchase of any construction machinery, equipment~~
43 ~~or tools used in the constructing, maintaining, repairing, enlarging,~~

1 furnishing or remodeling such facilities for TLC charities. When TLC
2 charities contracts for the purpose of constructing, maintaining, repairing,
3 enlarging, furnishing or remodeling such facilities, it shall obtain from the
4 state and furnish to the contractor an exemption certificate for the project
5 involved, and the contractor may purchase materials for incorporation in
6 such project. The contractor shall furnish the number of such certificate to
7 all suppliers from whom such purchases are made, and such suppliers shall
8 execute invoices covering the same bearing the number of such certificate.
9 Upon completion of the project the contractor shall furnish to TLC
10 charities a sworn statement, on a form to be provided by the director of
11 taxation, that all purchases so made were entitled to exemption under this
12 subsection. All invoices shall be held by the contractor for a period of five
13 years and shall be subject to audit by the director of taxation. If any
14 materials purchased under such a certificate are found not to have been
15 incorporated in the building or other project or not to have been returned
16 for credit or the sales or compensating tax otherwise imposed upon such
17 materials which will not be incorporated into the building or other project
18 reported and paid by such contractor to the director of taxation not later
19 than the 20th day of the month following the close of the month in which it
20 shall be determined that such materials will not be used for the purpose for
21 which such certificate was issued, TLC charities shall be liable for tax on
22 all materials purchased for the project, and upon payment thereof it may
23 recover the same from the contractor together with reasonable attorney
24 fees. Any contractor or any agent, employee or subcontractor thereof, who
25 shall use or otherwise dispose of any materials purchased under such a
26 certificate for any purpose other than that for which such a certificate is
27 issued without the payment of the sales or compensating tax otherwise
28 imposed upon such materials, shall be guilty of a misdemeanor and, upon
29 conviction therefor, shall be subject to the penalties provided for in
30 subsection (g) of K.S.A. 79-3615, and amendments thereto;

31 (zzz) — all sales of tangible personal property purchased by the rotary
32 club of shawnee foundation which is exempt from federal income taxation
33 pursuant to section 501(c)(3) of the federal internal revenue code of 1986,
34 as amended, used for the purpose of providing contributions to community
35 service organizations and scholarships;

36 (aaaa) — all sales of personal property and services purchased by or on
37 behalf of victory in the valley, inc., which is exempt from federal income
38 taxation pursuant to section 501(c)(3) of the federal internal revenue code,
39 for the purpose of providing a cancer support group and services for
40 persons with cancer, and all sales of any such property by or on behalf of
41 any such organization for any such purpose;

42 (bbbb) — all sales of entry or participation fees, charges or tickets by
43 Guadalupe health foundation, which is exempt from federal income

1 taxation pursuant to section 501(c)(3) of the federal internal revenue code,
2 for such organization's annual fundraising event which purpose is to
3 provide health care services for uninsured workers;

4 (eeee) — all sales of tangible personal property or services purchased by
5 or on behalf of wayside waifs, inc., which is exempt from federal income
6 taxation pursuant to section 501(c)(3) of the federal internal revenue code,
7 for the purpose of providing such organization's annual fundraiser, an
8 event whose purpose is to support the care of homeless and abandoned
9 animals, animal adoption efforts, education programs for children and
10 efforts to reduce animal over-population and animal welfare services, and
11 all sales of any such property, including entry or participation fees or
12 charges, by or on behalf of such organization for such purpose;

13 (dddd) — all sales of tangible personal property or services purchased
14 by or on behalf of Goodwill Industries or Easter Seals of Kansas, Inc.,
15 both of which are exempt from federal income taxation pursuant to section
16 501(c)(3) of the federal internal revenue code, for the purpose of providing
17 education, training and employment opportunities for people with
18 disabilities and other barriers to employment;

19 (eeee) — all sales of tangible personal property or services purchased by
20 or on behalf of All American Beef Battalion, Inc., which is exempt from
21 federal income taxation pursuant to section 501(c)(3) of the federal
22 internal revenue code, for the purpose of educating, promoting and
23 participating as a contact group through the beef cattle industry in order to
24 carry out such projects that provide support and morale to members of the
25 United States armed forces and military services; and

26 (ffff) — all sales of tangible personal property and services purchased by
27 sheltered living, inc., which is exempt from federal income taxation
28 pursuant to section 501(c)(3) of the federal internal revenue code of 1986,
29 and which such property and services are used for the purpose of
30 providing residential and day services for people with developmental
31 disabilities or mental retardation, or both, and all sales of any such
32 property by or on behalf of sheltered living, inc. for any such purpose; and
33 all sales of tangible personal property or services purchased by a
34 contractor for the purpose of rehabilitating, constructing, maintaining,
35 repairing, enlarging, furnishing or remodeling homes and facilities for
36 sheltered living, inc. for any such purpose which would be exempt from
37 taxation under the provisions of this section if purchased directly by
38 sheltered living, inc. Nothing in this subsection shall be deemed to exempt
39 the purchase of any construction machinery, equipment or tools used in the
40 constructing, maintaining, repairing, enlarging, furnishing or remodeling
41 such homes and facilities for sheltered living, inc. When sheltered living,
42 inc. contracts for the purpose of rehabilitating, constructing, maintaining,
43 repairing, enlarging, furnishing or remodeling such homes and facilities, it

1 shall obtain from the state and furnish to the contractor an exemption
2 certificate for the project involved, and the contractor may purchase
3 materials for incorporation in such project. The contractor shall furnish the
4 number of such certificate to all suppliers from whom such purchases are
5 made, and such suppliers shall execute invoices covering the same bearing
6 the number of such certificate. Upon completion of the project the
7 contractor shall furnish to sheltered living, inc. a sworn statement, on a
8 form to be provided by the director of taxation, that all purchases so made
9 were entitled to exemption under this subsection. All invoices shall be held
10 by the contractor for a period of five years and shall be subject to audit by
11 the director of taxation. If any materials purchased under such a certificate
12 are found not to have been incorporated in the building or other project or
13 not to have been returned for credit or the sales or compensating tax
14 otherwise imposed upon such materials which will not be so incorporated
15 in the building or other project reported and paid by such contractor to the
16 director of taxation not later than the 20th day of the month following the
17 close of the month in which it shall be determined that such materials will
18 not be used for the purpose for which such certificate was issued, sheltered
19 living, inc. shall be liable for tax on all materials purchased for the project,
20 and upon payment thereof it may recover the same from the contractor
21 together with reasonable attorney fees. Any contractor or any agent,
22 employee or subcontractor thereof, who shall use or otherwise dispose of
23 any materials purchased under such a certificate for any purpose other than
24 that for which such a certificate is issued without the payment of the sales
25 or compensating tax otherwise imposed upon such materials, shall be
26 guilty of a misdemeanor and, upon conviction therefor, shall be subject to
27 the penalties provided for in subsection (g) of K.S.A. 79-3615, and
28 amendments thereto.

29 (v) commencing January 1, 2014, all sales of food and food
30 ingredients. As used in this subsection, a sale of food and food ingredients
31 does not include a sale of alcoholic beverages as defined in subsection (c)
32 of K.S.A. 79-3602, and amendments thereto; candy; dietary supplements
33 as defined in subsection (rr) of K.S.A. 79-3606, and amendments thereto;
34 food sold through vending machines; or sales of prepared food, soft drinks
35 or tobacco as defined in subsection (qq) of K.S.A. 2011 Supp. 79-3602,
36 and amendments thereto. As used in this subsection:

37 (1) "Candy" means a preparation of sugar, honey or other natural or
38 artificial sweeteners in combination with chocolate, fruits, nuts or other
39 ingredients or flavorings in the form of bars, drops or pieces. Candy shall
40 not include any preparation containing flour and shall require no
41 refrigeration;

42 (2) "food sold through vending machines" means food dispensed from
43 a machine or other mechanical device that accepts payment;

- 1 (3)(A) *"prepared food" means any of the following:*
2 (i) *Food sold in a heated state or heated by the seller;*
3 (ii) *two or more food ingredients mixed or combined by the seller for*
4 *sale as a single item; or*
5 (iii) *food sold with eating utensils provided by the seller, including*
6 *plates, knives, forks, spoons, glasses, cups, napkins or straws. A plate does*
7 *not include a container or packaging used to transport the food.*
8 (B) *"Prepared food" does not include:*
9 (i) *Food that is only cut, repackaged or pasteurized by the seller;*
10 (ii) *eggs, fish, meat, poultry and foods containing these raw animal*
11 *foods requiring cooking by the consumer as recommended by the United*
12 *States food and drug administration, in chapter 3, part 401.11 of its food*
13 *code, so as to prevent foodborne illnesses;*
14 (iii) *if sold without eating utensils provided by the seller; bakery*
15 *items, including breads, rolls, buns, biscuits, bagels, croissants, pastries,*
16 *donuts, danish, cakes, tortes, pies, tarts, muffins, bars, cookies and*
17 *tortillas; or*
18 (iv) *food sold by a seller whose primary North American industry*
19 *classification system, United States, 2002 edition, classification is*
20 *manufacturing in sector 311, except subsector 3118; and*
21 (4) *"soft drinks" means nonalcoholic beverages that contain natural*
22 *or artificial sweeteners. "Soft drinks" do not include beverages that*
23 *contain milk or milk products; soy, rice or similar milk substitutes; or*
24 *greater than 50% of vegetable or fruit juice by volume.*
25 Sec. 6. On January 1, 2013, K.S.A. 2011 Supp. 79-3620 is hereby
26 amended to read as follows: 79-3620. (a) All revenue collected or received
27 by the director of taxation from the taxes imposed by this act shall be
28 remitted to the state treasurer in accordance with the provisions of K.S.A.
29 75-4215, and amendments thereto. Upon receipt of each such remittance,
30 the state treasurer shall deposit the entire amount in the state treasury, less
31 amounts withheld as provided in subsection (b) and amounts credited as
32 provided in subsection (c), (d) and (e), to the credit of the state general
33 fund.
34 (b) A refund fund, designated as "sales tax refund fund" not to exceed
35 \$100,000 shall be set apart and maintained by the director from sales tax
36 collections and estimated tax collections and held by the state treasurer for
37 prompt payment of all sales tax refunds including refunds authorized
38 under the provisions of K.S.A. 79-3635, and amendments thereto. Such
39 fund shall be in such amount, within the limit set by this section, as the
40 director shall determine is necessary to meet current refunding
41 requirements under this act. In the event such fund as established by this
42 section is, at any time, insufficient to provide for the payment of refunds
43 due claimants thereof, the director shall certify the amount of additional

1 funds required to the director of accounts and reports who shall promptly
2 transfer the required amount from the state general fund to the sales tax
3 refund fund, and notify the state treasurer, who shall make proper entry in
4 the records.

5 (c) (1) The state treasurer shall credit $\frac{5}{98}$ of the revenue collected or
6 received from the tax imposed by K.S.A. 79-3603, and amendments
7 thereto, at the rate of 4.9%, and deposited as provided in subsection (a),
8 exclusive of amounts credited pursuant to subsection (d), in the state
9 highway fund.

10 (2) The state treasurer shall credit $\frac{5}{106}$ of the revenue collected or
11 received from the tax imposed by K.S.A. 79-3603, and amendments
12 thereto, at the rate of 5.3%, and deposited as provided in subsection (a),
13 exclusive of amounts credited pursuant to subsection (d), in the state
14 highway fund.

15 (3) On July 1, 2006, the state treasurer shall credit $\frac{19}{265}$ of the revenue
16 collected and received from the tax imposed by K.S.A. 79-3603, and
17 amendments thereto, at the rate of 5.3%, and deposited as provided by
18 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
19 the state highway fund.

20 (4) On July 1, 2007, the state treasurer shall credit $\frac{13}{106}$ of the revenue
21 collected and received from the tax imposed by K.S.A. 79-3603, and
22 amendments thereto, at the rate of 5.3%, and deposited as provided by
23 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
24 the state highway fund.

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

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

35 (7) On July 1, 2012, the state treasurer shall credit 11.233% of the
36 revenue collected and received from the tax imposed by K.S.A. 79-3603,
37 and amendments thereto, at the rate of 6.3%, and deposited as provided by
38 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
39 the state highway fund, as well as such revenue collected and received at
40 the rate of 6.3%, after June 30, 2013.

41 (8) On ~~July~~ *January* 1, 2013, and thereafter, the state treasurer shall
42 credit ~~18.421%~~ *8.466%* of the revenue collected and received from the tax
43 imposed by K.S.A. 79-3603, and amendments thereto, at the rate of

1 5.7%5.3%, and deposited as provided by subsection (a), exclusive of
2 amounts credited pursuant to subsection (d), in the state highway fund.

3 (d) The state treasurer shall credit all revenue collected or received
4 from the tax imposed by K.S.A. 79-3603, and amendments thereto, as
5 certified by the director, from taxpayers doing business within that portion
6 of a STAR bond project district occupied by a STAR bond project or
7 taxpayers doing business with such entity financed by a STAR bond
8 project as defined in K.S.A. 2011 Supp. 12-17,162, and amendments
9 thereto, that was determined by the secretary of commerce to be of
10 statewide as well as local importance or will create a major tourism area
11 for the state or the project was designated as a STAR bond project as
12 defined in K.S.A. 2011 Supp. 12-17,162, and amendments thereto, to the
13 city bond finance fund, which fund is hereby created. The provisions of
14 this subsection shall expire when the total of all amounts credited
15 hereunder and under subsection (d) of K.S.A. 79-3710, and amendments
16 thereto, is sufficient to retire the special obligation bonds issued for the
17 purpose of financing all or a portion of the costs of such STAR bond
18 project.

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

1 Highway 56 as the northern boundary, and the polygonal-shaped area
2 having Poplar Road as the eastern boundary, 183rd Street as the southern
3 boundary, Waverly Road as the western boundary, and the BNSF mainline
4 track as the northern boundary, that includes capital investment in an
5 amount exceeding \$150 million for the construction of an intermodal
6 facility to handle the transfer, storage and distribution of freight through
7 railway and trucking operations.

8 Sec. 7. On January 1, 2013, K.S.A. 2011 Supp. 79-3703 is hereby
9 amended to read as follows: 79-3703. There is hereby levied and there
10 shall be collected from every person in this state a tax or excise for the
11 privilege of using, storing, or consuming within this state any article of
12 tangible personal property *or using, consuming or otherwise realizing the*
13 *benefits in this state from any services provided which are taxable*
14 *pursuant to the laws of Kansas.* Such tax shall be levied and collected in
15 an amount equal to the consideration paid by the taxpayer multiplied by
16 the rate of 5.3%, and commencing July 1, 2010, at the rate of 6.3%, and
17 commencing ~~July 1, 2013~~ *January 1, 2013*, at the rate of ~~5.7%~~ 5.3%,
18 *except that commencing January 1, 2013, and ending December 31, 2013,*
19 *food and food ingredients as defined in subsection (v) of K.S.A. 79-3606,*
20 *and amendments thereto, shall be taxed at the rate of 3.15%.* Within a
21 redevelopment district established pursuant to K.S.A. 74-8921, and
22 amendments thereto, there is hereby levied and there shall be collected and
23 paid an additional tax of 2% until the earlier of: (1) The date the bonds
24 issued to finance or refinance the redevelopment project undertaken in the
25 district have been paid in full; or (2) the final scheduled maturity of the
26 first series of bonds issued to finance the redevelopment project. All
27 property *or services* purchased or leased within or without this state and
28 subsequently used, stored or consumed in this state *or such services used*
29 *by, consumed by or benefiting the purchaser in this state* shall be subject to
30 the compensating tax if the same property, *services* or transaction would
31 have been subject to the Kansas retailers' sales tax had the transaction been
32 wholly within this state.

33 Sec. 8. On January 1, 2013, K.S.A. 2011 Supp. 79-3710 is hereby
34 amended to read as follows: 79-3710. (a) All revenue collected or received
35 by the director under the provisions of this act shall be remitted to the state
36 treasurer in accordance with the provisions of K.S.A. 75-4215, and
37 amendments thereto. Upon receipt of each such remittance, the state
38 treasurer shall deposit the entire amount in the state treasury, less amounts
39 set apart as provided in subsection (b) and amounts credited as provided in
40 subsection (c), (d) and (e), to the credit of the state general fund.

41 (b) A revolving fund, designated as "compensating tax refund fund"
42 not to exceed \$10,000 shall be set apart and maintained by the director
43 from compensating tax collections and estimated tax collections and held

1 by the state treasurer for prompt payment of all compensating tax refunds.
2 Such fund shall be in such amount, within the limit set by this section, as
3 the director shall determine is necessary to meet current refunding
4 requirements under this act.

5 (c) (1) The state treasurer shall credit $\frac{5}{98}$ of the revenue collected or
6 received from the tax imposed by K.S.A. 79-3703, and amendments
7 thereto, at the rate of 4.9%, and deposited as provided in subsection (a),
8 exclusive of amounts credited pursuant to subsection (d), in the state
9 highway fund.

10 (2) The state treasurer shall credit $\frac{5}{106}$ of the revenue collected or
11 received from the tax imposed by K.S.A. 79-3703, and amendments
12 thereto, at the rate of 5.3%, and deposited as provided in subsection (a),
13 exclusive of amounts credited pursuant to subsection (d), in the state
14 highway fund.

15 (3) On July 1, 2006, the state treasurer shall credit $\frac{19}{265}$ of the revenue
16 collected or received from the tax imposed by K.S.A. 79-3703, and
17 amendments thereto, at the rate of 5.3%, and deposited as provided by
18 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
19 the state highway fund.

20 (4) On July 1, 2007, the state treasurer shall credit $\frac{13}{106}$ of the revenue
21 collected or received from the tax imposed by K.S.A. 79-3703, and
22 amendments thereto, at the rate of 5.3%, and deposited as provided by
23 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
24 the state highway fund.

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

30 (6) On July 1, 2011, the state treasurer shall credit 11.26% of the
31 revenue collected and received from the tax imposed by K.S.A. 79-3703,
32 and amendments thereto, at the rate of 6.3%, and deposited as provided by
33 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
34 the state highway fund.

35 (7) On July 1, 2012, the state treasurer shall credit 11.233% of the
36 revenue collected and received from the tax imposed by K.S.A. 79-3703,
37 and amendments thereto, at the rate of 6.3%, and deposited as provided by
38 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
39 the state highway fund, as well as such revenue collected and received at
40 the rate of 6.3%, after June 30, 2013.

41 (8) On ~~July~~ *January* 1, 2013, and thereafter, the state treasurer shall
42 credit ~~18.421%~~ *8.466%* of the revenue collected and received from the tax
43 imposed by K.S.A. 79-3703, and amendments thereto, at the rate of ~~5.7%~~

1 5.3%, and deposited as provided by subsection (a), exclusive of amounts
2 credited pursuant to subsection (d), in the state highway fund.

3 (d) The state treasurer shall credit all revenue collected or received
4 from the tax imposed by K.S.A. 79-3703, and amendments thereto, as
5 certified by the director, from taxpayers doing business within that portion
6 of a redevelopment district occupied by a redevelopment project that was
7 determined by the secretary of commerce to be of statewide as well as
8 local importance or will create a major tourism area for the state as defined
9 in K.S.A. 12-1770a, and amendments thereto, to the city bond finance
10 fund created by subsection (d) of K.S.A. 79-3620, and amendments
11 thereto. The provisions of this subsection shall expire when the total of all
12 amounts credited hereunder and under subsection (d) of K.S.A. 79-3620,
13 and amendments thereto, is sufficient to retire the special obligation bonds
14 issued for the purpose of financing all or a portion of the costs of such
15 redevelopment project.

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

19 (e) All revenue certified by the director of taxation as having been
20 collected or received from the tax imposed by subsection (c) of K.S.A. 79-
21 3603, and amendments thereto, on the sale or furnishing of gas, water,
22 electricity and heat for use or consumption within the intermodal facility
23 district described in this subsection, shall be credited by the state treasurer
24 to the state highway fund. Such revenue may be transferred by the
25 secretary of transportation to the rail service improvement fund pursuant to
26 law. The provisions of this subsection shall take effect upon certification
27 by the secretary of transportation that a notice to proceed has been
28 received for the construction of the improvements within the intermodal
29 facility district, but not later than December 31, 2010, and shall expire
30 when the secretary of revenue determines that the total of all amounts
31 credited hereunder and pursuant to subsection (e) of K.S.A. 79-3620, and
32 amendments thereto, is equal to \$53,300,000, but not later than December
33 31, 2045. Thereafter, all revenues shall be collected and distributed in
34 accordance with applicable law. For all tax reporting periods during which
35 the provisions of this subsection are in effect, none of the exemptions
36 contained in K.S.A. 79-3601 *et seq.*, and amendments thereto, shall apply
37 to the sale or furnishing of any gas, water, electricity and heat for use or
38 consumption within the intermodal facility district. As used in this
39 subsection, "intermodal facility district" shall consist of an intermodal
40 transportation area as defined by subsection (oo) of K.S.A. 12-1770a, and
41 amendments thereto, located in Johnson county within the polygonal-
42 shaped area having Waverly Road as the eastern boundary, 191st Street as
43 the southern boundary, Four Corners Road as the western boundary, and

1 Highway 56 as the northern boundary, and the polygonal-shaped area
2 having Poplar Road as the eastern boundary, 183rd Street as the southern
3 boundary, Waverly Road as the western boundary, and the BNSF mainline
4 track as the northern boundary, that includes capital investment in an
5 amount exceeding \$150 million for the construction of an intermodal
6 facility to handle the transfer, storage and distribution of freight through
7 railway and trucking operations.

8 New Sec. 9. The secretary of revenue shall certify all additional
9 revenue as having been collected and received as a result of the
10 implementation of the provisions of this act related to the imposition of
11 sales and use tax. The secretary shall provide such certification to each
12 taxing entity imposing sales and use tax pursuant to the provisions of
13 K.S.A. 12-187 *et seq.*, and amendments thereto.

14 New Sec. 10. When adopting budgets each local unit of government
15 imposing a sales and use tax shall be required to use at least 30% of the
16 additional revenue certified by the secretary of revenue pursuant to section
17 9, and amendments thereto, to reduce local property taxes.

18 Sec. 11. K.S.A. 2011 Supp. 79-32,110 is hereby repealed.

19 Sec. 12. On January 1, 2013, K.S.A. 79-3632, 79-3634, 79-3636 and
20 79-3638 and K.S.A. 2011 Supp. 12-198, 79-3602, 79-3603, 79-3606, 79-
21 3606g, 79-3620, 79-3633, 79-3635, 79-3637, 79-3639, 79-3639a, 79-3703
22 and 79-3710 are hereby repealed.

23 Sec. 13. This act shall take effect and be in force from and after its
24 publication in the statute book.
25