

## HOUSE BILL No. 2511

By Committee on Taxation

3-7

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9 AN ACT concerning taxation; eliminating corporation income tax; re-  
10 pealing certain income tax credits and sales tax exemptions; amending  
11 K.S.A. 79-3220, 79-32,102, 79-32,103 and 79-32,107 and K.S.A. 2004  
12 Supp. 79-32,101, 79-32,105, 79-32,110, 79-32,111 and 79-3606 and  
13 repealing the existing sections; also repealing K.S.A. 74-50,132, 79-  
14 32,138, 79-32,142, 79-32,155, 79-32,156, 79-32,157, 79-32,158, 79-  
15 32,159, 79-32,159b, 79-32,160, 79-32,160b and 79-32,160c and K.S.A.  
16 2004 Supp. 79-32,153, 79-32,154, 79-32,160a, 79-32,182b and 79-  
17 32,206.

18

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

20 Section 1. K.S.A. 79-3220 is hereby amended to read as follows: 79-  
21 3220. (a) Each individual required to file a federal income tax return and  
22 any other individual whose gross income exceeds the sum of such indi-  
23 vidual's applicable Kansas standard deduction amount and Kansas per-  
24 sonal exemption amount shall each make and sign a return or statement  
25 stating specifically such items as are required by the forms and rules and  
26 regulations of the secretary of revenue. Such return may be filed by elec-  
27 tronic means in a manner approved by the secretary of revenue. If any  
28 individual is unable to make a return, the return shall be made by a duly  
29 authorized agent or by the guardian or other person charged with the  
30 care of the person or property of such taxpayer. Notwithstanding any  
31 provision of the Kansas income tax act to the contrary, all individuals not  
32 required to file a Kansas income tax return hereunder shall not be liable  
33 for any tax imposed pursuant to such act.

34 ~~(b) Every corporation subject to taxation under this act, including,~~  
35 ~~but not limited to, all farmers, fruit growers, or like associations organized~~  
36 ~~and operated on a cooperative basis, except electric cooperative exclu-~~  
37 ~~sively engaged in the manufacture or distribution of electric power for~~  
38 ~~their members, shall make a return, or statement stating specifically such~~  
39 ~~items as may be required by the forms and regulations of the secretary~~  
40 ~~of revenue. The return shall be signed by the president, vice president,~~  
41 ~~treasurer, assistant treasurer, chief accounting officer, or any other officer~~  
42 ~~so authorized to act. The fact that an individual's name is signed on a~~  
43 ~~return shall be prima facie evidence that such individual is authorized to~~

1 ~~sign such return on behalf of such corporation. In cases where receivers,~~  
2 ~~trustees in bankruptcy or assignees are operating the property or business~~  
3 ~~of corporations, such receivers, trustees, or assignees shall make returns~~  
4 ~~for such corporations in the same manner and form as corporations are~~  
5 ~~required to make returns. Any tax due on the basis of such returns shall~~  
6 ~~be collected in the same manner as if collected from the corporation for~~  
7 ~~which the return is made.~~

8 ~~—(e)~~ Every fiduciary, except a receiver appointed by authority of law  
9 in possession of part only of the property of an individual shall make and  
10 sign a return for each of the individuals, estates, or trusts for which the  
11 fiduciary acts, when such returns are required by the provisions of this  
12 act, stating specifically such items as may be required by the forms and  
13 regulations of the secretary of revenue. In the case of joint fiduciaries,  
14 whether residents or nonresidents, a return may be made by any one and  
15 shall be sufficient compliance with the above requirements. Any fiduciary  
16 required to make a return under this act shall be subject to all of the  
17 provisions of law which apply to individuals.

18 ~~(c)~~ Every partnership shall make a return for each taxable year,  
19 stating specifically such items as may be required by the forms and reg-  
20 ulations of the secretary of revenue. The returns shall be signed by any  
21 one of the partners.

22 Sec. 2. K.S.A. 2004 Supp. 79-32,101 is hereby amended to read as  
23 follows: 79-32,101. (a) At the time prescribed in this section: ~~(1)~~, every  
24 individual shall pay estimated tax who can reasonably expect to owe, after  
25 withholding and credits, tax of at least \$500 and who expects their with-  
26 holding and credits to be less than (A) 90% of the tax shown on the return  
27 for the current year or (B) 100% of the tax shown for the preceding tax  
28 year; ~~and~~

29 ~~—(2)— every corporation shall pay estimated tax if its Kansas income tax~~  
30 ~~liability can reasonably be expected to exceed \$500.~~

31 (b) In the case of a husband and wife, single payments under this  
32 section may be made by them jointly. If a joint payment is made, but a  
33 joint return is not made for the taxable year, the estimated tax for such  
34 year may be divided between them. Notification of the division of such  
35 payments shall be made at such time and in such manner as the director  
36 of taxation may provide, on forms issued by the director of taxation.

37 (c) If on or before January 31, or March 1, in the case of an individual  
38 referred to in subsection (b) of K.S.A. 79-32,102, and amendments  
39 thereto, relating to income from farming or fishing, of the succeeding  
40 year, the taxpayer files a return for the taxable year, and pays in full the  
41 amount of tax computed on the return, then, under rules and regulations  
42 of the secretary of revenue no payment otherwise required to be made  
43 under this section on January 15, or at any time during the preceding

1 year, in the case of an individual referred to in subsection (b) of K.S.A.  
2 79-32,102, and amendments thereto, relating to income from farming or  
3 fishing, is required to be made.

4 (d) An individual ~~or corporation~~ with a taxable year of less than 12  
5 months shall make a declaration for less than 12 months as prescribed by  
6 rules and regulations of the secretary of revenue.

7 (e) The provisions of this section shall not apply to an estate or trust.

8 Sec. 3. K.S.A. 79-32,102 is hereby amended to read as follows: 79-  
9 32,102. (a) "Corporations or individuals other than farmers or fishermen."  
10 Declarations of estimated tax required by K.S.A. 79-32,101 from ~~corpo-~~  
11 ~~rations or~~ individuals regarded as neither farmers nor fishermen for the  
12 purpose of that section shall be filed on or before April 15 of the taxable  
13 year except that if the requirements of K.S.A. 79-32,101 are first met, (1)  
14 after April 1 and before June 2 of the taxable year, the declaration shall  
15 be filed on or before June 15 of the taxable year, or (2) after June 1 and  
16 before September 2 of the taxable year, the declaration shall be filed on  
17 or before September 15, or (3) after September 1 of the taxable year the  
18 declaration shall be filed on or before January 15 of the subsequent tax-  
19 able year, ~~except corporations meeting the requirements after September~~  
20 ~~1 and before December 1 shall file their declaration on or before De-~~  
21 ~~cember 15 of the taxable year.~~

22 (b) "Farmers or fishermen." Declarations of estimated tax required  
23 by K.S.A. 79-32,101 from individuals whose estimated gross income from  
24 farming or fishing for the taxable year is at least  $\frac{2}{3}$  of the total estimated  
25 gross income from all sources for the taxable year may, in lieu of the time  
26 prescribed in subsection (a), be filed at any time on or before January 15  
27 of the succeeding taxable year.

28 (c) "Amendment." Amendment of a declaration may be filed at any  
29 interval between installment dates prescribed for that taxable year.

30 (d) "Short taxable years." The applicability of this section of taxable  
31 years of less than 12 months shall be in accordance with regulations pre-  
32 scribed by the secretary of revenue.

33 (e) "Fiscal years." In application of this section to the case of the  
34 taxable year beginning on a date other than January 1, there shall be  
35 substituted for the months specified in this section the months which  
36 correspond thereto.

37 Sec. 4. K.S.A. 79-32,103 is hereby amended to read as follows: 79-  
38 32,103. (a) "General rule." The amount of estimated tax (as defined in  
39 K.S.A. 79-32,101(c)) with respect to a declaration required under K.S.A.  
40 79-32,101 shall be paid, without any regard to an extension of time to file  
41 the prior year income tax return, as follows:

42 (1) If the declaration is filed on or before April 15 of the taxable year,  
43 the estimated tax shall be paid in four equal installments. The first in-

1 stallment shall be paid at the time of filing the declaration, the second  
2 and third on June 15 and September 15, respectively, of the taxable year,  
3 and the fourth on January 15 of the succeeding taxable year, ~~except cor-~~  
4 ~~porations, who shall pay the fourth installment on December 15 of the~~  
5 ~~taxable year.~~

6 (2) If the declaration is filed after April 15 and not after June 15 of  
7 the taxable year, and is not required by K.S.A. 79-32,102(a) to be filed  
8 on or before April 15 of the taxable year, the estimated tax shall be paid  
9 in three equal installments. The first installment shall be paid at the time  
10 of filing the declaration, the second on September 15 of the taxable year,  
11 and the third on January 15 of the succeeding taxable year ~~except cor-~~  
12 ~~porations, who shall pay the third installment on December 15 of the~~  
13 ~~taxable year.~~

14 (3) If the declaration is filed after June 15 and not after September  
15 15 of the taxable year, and is not required by K.S.A. 79-32,102(a) to be  
16 filed on or before June 15 of the taxable year, the estimated tax shall be  
17 paid in two equal installments. The first installment shall be paid at the  
18 time of the filing of the declaration, and the second on January 15 of the  
19 succeeding taxable year, ~~except corporations, who shall pay the second~~  
20 ~~installment on December 15 of the taxable year.~~

21 (4) If the declaration is filed after September 15 of the taxable year,  
22 and is not required by K.S.A. 79-32,102(a) to be filed on or before Sep-  
23 tember 15 of the taxable year, the estimated tax shall be paid in full at  
24 the time of filing the declaration.

25 (5) If the declaration is filed after the time prescribed by K.S.A. 79-  
26 32,102(a) paragraphs (2), (3) and (4) of this subsection shall not apply and  
27 there shall be paid at the time of such filing all installments of estimated  
28 tax which would have been payable on or before such time if the decla-  
29 ration had been filed within the time prescribed by K.S.A. 79-32,102(a)  
30 and the remaining installments shall be paid at the times at which, and  
31 in the amounts in which, they would have been payable if the declaration  
32 had so been filed.

33 (b) "Farmers and fishermen." If an individual referred to in K.S.A.  
34 79-32,102(b) (relating to income from farming or fishing) makes a decla-  
35 ration of estimated tax after September 15 of the taxable year and on  
36 or before January 15 of the succeeding taxable year, the estimated tax  
37 shall be paid in full at the time of filing the declaration.

38 (c) "Amendments of declaration." If any amendment of declaration  
39 is filed, the remaining installments, if any, shall be ratably increased or  
40 decreased as the case may be, to reflect the increase or decrease, as the  
41 case may be, in the estimated tax by reason of such amendment, and if  
42 any amendment is made after the 15th day of the ninth month of the  
43 taxable year, any increase in the estimated tax by reason thereof shall be

1 paid at the time of making such amendment. Amendment of a declaration  
2 shall not preclude imposition of a penalty due on any installment.

3 (d) "Short taxable years." The applicability of this section of taxable  
4 years of less than 12 months shall be in accordance with regulations pre-  
5 scribed by the secretary of revenue.

6 (e) "Fiscal years." In application of this section to the case of the  
7 taxable year beginning on a date other than January 1, there shall be  
8 substituted for the months specified in this section the months which  
9 correspond thereto.

10 (f) "Installments paid in advance." At the election of the individual  
11 ~~or corporation~~, an installment of estimated tax may be paid prior to the  
12 date prescribed for its payment.

13 Sec. 5. K.S.A. 2004 Supp. 79-32,105 is hereby amended to read as  
14 follows: 79-32,105. (a) The director shall remit the entire amount col-  
15 lected under the provisions of this act and from the income tax imposed  
16 upon individuals, ~~corporations~~, estates or trusts pursuant to the "Kansas  
17 income tax act" less amounts withheld as provided in subsection (b) and  
18 any amounts credited to the IMPACT program repayment fund or the  
19 IMPACT program services fund under K.S.A. 74-50,107 and amend-  
20 ments thereto to the state treasurer in accordance with the provisions of  
21 K.S.A. 75-4215, and amendments thereto. Upon receipt of each such  
22 remittance, the state treasurer shall deposit the entire amount in the state  
23 treasury to the credit of the state general fund.

24 (b) A revolving fund, designated as "income tax refund fund" not to  
25 exceed \$4,000,000 shall be set apart and maintained by the director from  
26 income tax collections, franchise tax collections, withholding tax collec-  
27 tions, and estimated tax collections and held by the state treasurer for  
28 prompt payment of all income tax refunds and franchise tax refunds, for  
29 the payment of interest as provided in subsection (e), for payment of  
30 homestead property tax refunds in accordance with the homestead prop-  
31 erty tax refund act and for payment of property tax refunds allowed pur-  
32 suant to the provisions of K.S.A. 2004 Supp. 79-255, and amendments  
33 thereto. The fund shall be in such amount, within the limit set by this  
34 section, as the director determines is necessary to meet current refunding  
35 requirements under this act.

36 (c) If the director discovers from the examination of the return, or  
37 upon claim duly filed by the taxpayer or upon final judgment of the court  
38 that the income tax, withholding tax, declaration of estimated tax or any  
39 penalty or interest paid by or credited to any taxpayer is in excess of the  
40 amount legally due for such tax or any other tax owed the state of Kansas,  
41 the director shall certify to the director of accounts and reports the name  
42 of the taxpayer, the amount of refund and such other information as the  
43 director may require. Upon receipt of such certification the director of

1 accounts and reports shall issue a warrant on the state treasurer for the  
2 payment to the taxpayer out of the fund provided in subsection (b), except  
3 that no refund shall be made for a sum less than \$5, but such amount  
4 may be claimed by the taxpayer as a credit against the taxpayer's tax  
5 liability in the taxpayer's next succeeding taxable year.

6 (d) When a resident taxpayer dies, and the director determines that  
7 a refund is due the claimant not in excess of \$100, the director shall certify  
8 to the director of accounts and reports the name and address of the  
9 claimant entitled to the refund and the amount of the refund. A refund  
10 may be made upon a claim duly made on behalf of the estate of the  
11 deceased or in the absence of any such claim upon a claim by a surviving  
12 spouse and if none upon the claim by any heir at law. Upon receipt of  
13 such certification the director of accounts and reports shall issue a warrant  
14 on the state treasurer for the payment to the claimant out of the fund  
15 provided in subsection (b).

16 (e) Interest shall be allowed and paid at the rate of 12% per annum  
17 upon any overpayment of the income tax imposed upon individuals, ~~cor-~~  
18 ~~porations~~, estates or trusts pursuant to the Kansas income tax act for any  
19 period prior to January 1, 1995, 6% per annum for the period commencing  
20 on January 1, 1995, and ending on December 31, 1997, and at the  
21 rate prescribed and determined pursuant to K.S.A. 79-2968, and amend-  
22 ments thereto, for any period thereafter.

23 For the purposes of this subsection:

24 (1) Any return filed before the last day prescribed for the filing  
25 thereof shall be considered as filed on such last day, determined without  
26 regard to any extension of time granted the taxpayer;

27 (2) any tax paid by the taxpayer before the last day prescribed for its  
28 payment, any income tax withheld from the taxpayer during any calendar  
29 year and any amount paid by the taxpayer as estimated income tax for a  
30 taxable year shall be deemed to have been paid on the last day prescribed  
31 for filing the return for the taxable year to which such amount constitutes  
32 a credit or payment, determined without regard to any extension of time  
33 granted the taxpayer;

34 (3) if any overpayment of tax results from a carryback of a net oper-  
35 ating loss or net capital loss, such overpayment shall be deemed not to  
36 have been made prior to the close of the taxable year in which such net  
37 operating loss or net capital loss arises. For purposes of this paragraph,  
38 the return for the loss year shall not be deemed to be filed before claim  
39 for such overpayment is filed;

40 (4) in the case of a credit, interest shall be allowed and paid from the  
41 date of the overpayment to the due date of the amount against which the  
42 credit is taken, except that if any overpayment of income tax is claimed  
43 as a credit against estimated tax for the succeeding taxable year, such

1 amount shall be considered as a payment of the income tax for the suc-  
2 ceeding taxable year, whether or not claimed as a credit in the return of  
3 estimated tax for such succeeding taxable year, and no interest shall be  
4 allowed or paid in such overpayment for the taxable year in which the  
5 overpayment arises;

6 (5) in the case of a tax return which is filed after the last date pre-  
7 scribed for filing such return, determined with regard to extensions, no  
8 interest shall be allowed or paid for any period before the date on which  
9 the return is filed;

10 (6) in the case of a refund, interest shall be allowed and paid from  
11 the date of the overpayment to a date preceding the date of the refund  
12 check by not more than 30 days, as determined by the director, whether  
13 or not such refund check is accepted by the taxpayer after tender of such  
14 check to the taxpayer, but acceptance of such check shall be without  
15 prejudice to any right of the taxpayer to claim any additional overpayment  
16 and interest thereon; and

17 (7) if any overpayment is refunded within two months after the last  
18 date prescribed, or permitted by extension of time, for filing the return  
19 of such tax, or within two months after the return was filed, whichever is  
20 later, no interest shall be allowed or paid. For the purposes of this section,  
21 an overpayment shall be deemed to have been refunded at the time the  
22 refund check in the amount of the overpayment, plus any interest due  
23 thereon, is deposited in the United States mail.

24 Sec. 6. K.S.A. 79-32,107 is hereby amended to read as follows: 79-  
25 32,107. (a) All penalties and interest prescribed by K.S.A. 79-3228, and  
26 amendments thereto, for noncompliance with the income tax laws of Kan-  
27 sas shall be applicable for noncompliance with the provisions of the Kan-  
28 sas withholding and declaration of estimated tax act relating to withhold-  
29 ing tax which shall be enforced in the same manner as the Kansas income  
30 tax act. A penalty at the same rate per annum prescribed by subsection  
31 (b) of K.S.A. 79-2968, and amendments thereto, for interest upon delin-  
32 quent or unpaid taxes shall be applied and added to a taxpayer's amount  
33 of underpayment of estimated tax due from the date the estimated tax  
34 payment was due until the same is paid or until the 15th day of the fourth  
35 month following the close of the taxable year for which such estimated  
36 tax is a credit, whichever date is earlier, but such penalty shall not be  
37 added if the total amount thereof does not exceed \$1. For purposes of  
38 this subsection, the amount of underpayment of estimated tax shall be  
39 the excess of the amount of the installment which would be required to  
40 be paid if the estimated tax were equal to 90% of the tax shown on the  
41 return for the taxable year or, if no return was filed, 90% of the tax for  
42 such year, over the amount, if any, of the installment paid on or before  
43 the last date prescribed for payment. Amounts due from any employer

1 on account of withholding or from any taxpayer for estimated tax may be  
2 collected by the director in the manner provided for the collection of  
3 state income tax in K.S.A. 79-3235, and amendments thereto. For pur-  
4 poses of this subsection, “underpayment of tax” means the difference  
5 between the amount of tax actually paid and the amount of tax which  
6 would have been required to be paid to avoid penalty pursuant to sub-  
7 section (b) or (c).

8 (b) No penalty or interest shall be imposed upon any individual with  
9 respect to any underpayment of any installment if the total amount of all  
10 payments of estimated tax made on or before the last date prescribed for  
11 the payment of such installment equals or exceeds the amount which  
12 would have been required to be paid on or before such date if the esti-  
13 mated tax were whichever of the following is the least:

14 (1) The tax shown on the return of the individual for the preceding  
15 taxable year, if a return showing a liability for tax was filed by the indi-  
16 vidual for the preceding taxable year;

17 (2) zero if no return was required to be filed or if the tax liability on  
18 the individual’s return was less than \$200 for the preceding taxable year;

19 (3) an amount equal to 66 2/3%, in the case of individuals referred  
20 to in subsection (b) of K.S.A. 79-32,102, and amendments thereto, and  
21 90%, in the case of all other individuals, of the tax for the taxable year  
22 computed by placing on an annualized basis, pursuant to rules and reg-  
23 ulations adopted by the secretary of revenue, the taxable income for the  
24 months in the taxable year ending before the month in which the install-  
25 ment is required to be made.

26 ~~(c) No penalty or interest shall be imposed upon any corporation with~~  
27 ~~respect to any underpayment of any installment of estimated tax if the~~  
28 ~~total amount of all payments of estimated tax made on or before the last~~  
29 ~~date prescribed for the payment of such installment equals or exceeds~~  
30 ~~the amount which would have been required to be paid on or before such~~  
31 ~~date if the estimated tax were whichever of the following is the least:~~

32 ~~—(1)—The tax shown on the return of the corporation for the preceding~~  
33 ~~taxable year, if a return showing a liability for tax was filed by the cor-~~  
34 ~~poration for the preceding taxable year, or zero if no return was required~~  
35 ~~to be filed, or if the tax liability on the corporation’s return was less than~~  
36 ~~\$500 for the preceding taxable year, or~~

37 ~~—(2) (A)—an amount equal to 90% of the tax for the taxable year com-~~  
38 ~~puted by placing on an annualized basis the taxable income: (i) For the~~  
39 ~~first three months of the taxable year, in the case of the installment re-~~  
40 ~~quired to be paid in the fourth month; (ii) for the first three months or~~  
41 ~~for the first five months of the taxable year, in the case of the installment~~  
42 ~~required to be paid in the sixth month; (iii) for the first six months or for~~  
43 ~~the first eight months of the taxable year in the case of the installment~~

1 required to be paid in the ninth month, and (iv) for the first nine months  
2 or for the first 11 months of the taxable year, in the case of the installment  
3 required to be paid in the 12th month of the taxable year.

4 ~~(B)~~ For purposes of this subsection (2), the taxable income shall be  
5 placed on an annualized basis by (i) multiplying by 12 the taxable income  
6 referred to in subsection (2)(A), and (ii) dividing the resulting amount by  
7 the number of months in the taxable year (three, five, six, eight, nine, or  
8 11, as the case may be) referred to in subsection (2)(A).

9 ~~(d)~~ If the employer, in violation of the provisions of this act, fails to  
10 deduct and withhold under this chapter, and thereafter the tax against  
11 which such withholding may be credited is paid, the amount otherwise  
12 required to be deducted and withheld shall not be collected from the  
13 employer; but this subsection shall in no case relieve the employer from  
14 liability for any penalties or additions to the tax otherwise applicable in  
15 respect of such failure to deduct and withhold.

16 ~~(e)~~ (d) Any person required to collect, truthfully account for, and pay  
17 over any tax imposed by this act, who willfully fails to collect such tax, or  
18 truthfully account for and pay over such tax, or willfully attempts in any  
19 manner to evade or defeat any such tax or the payment thereof, shall in  
20 addition to the other penalties of this section be liable to a penalty equal  
21 to the total amount of the tax evaded, or not collected, or not accounted  
22 for and paid over.

23 ~~(f)~~ (e) In case of failure by any employer required by subsection (b)  
24 of K.S.A. 79-3298, and amendments thereto, to remit any amount of  
25 withheld taxes by the date prescribed therefor, unless it is shown that  
26 such failure is due to reasonable cause and not due to willful neglect,  
27 there shall be imposed upon such person a penalty of 15% of the amount  
28 of the underpayment. For purposes of this subsection, the term “under-  
29 payment” means the excess of the amount of the tax required to be with-  
30 held and remitted over the amount, if any, remitted on or before the date  
31 prescribed therefor. The failure to remit for any withholding period shall  
32 be deemed not to continue beyond the last date prescribed for filing the  
33 annual return as required by subsection (d) of K.S.A. 79-3298, and  
34 amendments thereto. Penalty and interest as prescribed by K.S.A. 79-  
35 3228, and amendments thereto, shall not begin to accrue under subsec-  
36 tion (a) of this section on the amount of any such underpayment until the  
37 due date of the annual return for the calendar year in which such failure  
38 to remit occurs.

39 ~~(g)~~ (f) Whenever the secretary or the secretary’s designee determines  
40 that the failure of the taxpayer to comply with the provisions of subsec-  
41 tions (a), ~~(e)~~, or ~~(f)~~ (d) or (e) of this section was due to reasonable causes,  
42 the secretary or the secretary’s designee may waive or reduce any of said  
43 penalties and may reduce the interest rate to the underpayment rate

1 prescribed and determined for the applicable period under section 6621  
2 of the federal internal revenue code as in effect on January 1, 1994, upon  
3 making a record of the reasons therefor.

4 Sec. 7. K.S.A. 2004 Supp. 79-32,110 is hereby amended to read as  
5 follows: 79-32,110. (a) *Resident Individuals*. Except as otherwise provided  
6 by subsection (a) of K.S.A. 79-3220, and amendments thereto, a tax is  
7 hereby imposed upon the Kansas taxable income of every resident indi-  
8 vidual, which tax shall be computed in accordance with the following tax  
9 schedules:

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

11 If the taxable income is:	The tax is:
12 Not over \$30,000 .....	3.5% of Kansas taxable income
13 Over \$30,000 but not over \$60,000 .....	\$1,050 plus 6.25% of excess over \$30,000
14 Over \$60,000 .....	\$2,925 plus 6.45% of excess over \$60,000

15 (2) *All other individuals.*

16 (A) For tax year 1997:

17 If the taxable income is:	The tax is:
18 Not over \$20,000 .....	4.1% of Kansas taxable income
19 Over \$20,000 but not over \$30,000 .....	\$820 plus 7.5% of excess over \$20,000
20 Over \$30,000 .....	\$1,570 plus 7.75% of excess over \$30,000

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

22 If the taxable income is:	The tax is:
23 Not over \$15,000 .....	3.5% of Kansas taxable income
24 Over \$15,000 but not over \$30,000 .....	\$525 plus 6.25% of excess over \$15,000
25 Over \$30,000 .....	\$1,462.50 plus 6.45% of excess over 26 \$30,000

27 (b) *Nonresident Individuals*. A tax is hereby imposed upon the Kansas  
28 taxable income of every nonresident individual, which tax shall be an  
29 amount equal to the tax computed under subsection (a) as if the nonres-  
30 ident were a resident multiplied by the ratio of modified Kansas source  
31 income to Kansas adjusted gross income.

32 (c) ~~*Corporations*. A tax is hereby imposed upon the Kansas taxable~~  
33 ~~income of every corporation doing business within this state or deriving~~  
34 ~~income from sources within this state. Such tax shall consist of a normal~~  
35 ~~tax and a surtax and shall be computed as follows:~~

36 ~~—(1)—The normal tax shall be in an amount equal to 4% of the Kansas~~  
37 ~~taxable income of such corporation; and~~

38 ~~—(2)—the surtax shall be in an amount equal to 3.35% of the Kansas~~  
39 ~~taxable income of such corporation in excess of \$50,000.~~

40 ~~—(d)—*Fiduciaries*. A tax is hereby imposed upon the Kansas taxable~~  
41 ~~income of estates and trusts at the rates provided in paragraph (2) of~~  
42 ~~subsection (a) hereof.~~

43 Sec. 8. K.S.A. 2004 Supp. 79-32,111 is hereby amended to read as

1 follows: 79-32,111. (a) The amount of income tax paid to another state  
2 by a resident individual, resident estate or resident trust on income de-  
3 rived from sources in another state shall be allowed as a credit against  
4 the tax computed under the provisions of this act. Such credit shall not  
5 be greater in proportion to the tax computed under this act than the  
6 adjusted gross income for such year derived in another state while such  
7 taxpayer is a resident of this state is to the total Kansas adjusted gross  
8 income of the taxpayer. As used in this subsection, state shall have the  
9 meaning ascribed thereto by subsection (h) of K.S.A. 79-3271, and  
10 amendments thereto. The credit allowable hereunder for income tax paid  
11 to a foreign country or political subdivision thereof shall not exceed the  
12 difference of such income tax paid less the credit allowable for such in-  
13 come tax paid by the federal internal revenue code. No redetermination  
14 of income tax paid for the purposes of determining the credit allowed by  
15 this subsection shall be required for the taxable year for which an income  
16 tax refund payment pursuant to the provisions of section 18 of article 10  
17 of the Missouri constitution is made, but the income tax paid allowable  
18 for credit in the next following taxable year shall be reduced by the  
19 amount of such refund amount, except that, for tax year 1998, the income  
20 tax paid allowable for credit shall be reduced by the amount of such  
21 refunds made for all taxable years prior to tax year 1998.

22 (b) There shall be allowed as a credit against the tax computed under  
23 the provisions of the Kansas income tax act, and acts amendatory thereof  
24 and supplemental thereto, on the Kansas taxable income of an individual;  
25 ~~corporation~~ or fiduciary the amount determined under the provisions of  
26 K.S.A. 79-32,153 to 79-32,158, and amendments thereto.

27 Sec. 9. K.S.A. 2004 Supp. 79-3606 is hereby amended to read as  
28 follows: 79-3606. The following shall be exempt from the tax imposed by  
29 this act:

30 (a) All sales of motor-vehicle fuel or other articles upon which a sales  
31 or excise tax has been paid, not subject to refund, under the laws of this  
32 state except cigarettes as defined by K.S.A. 79-3301 and amendments  
33 thereto, cereal malt beverages and malt products as defined by K.S.A. 79-  
34 3817 and amendments thereto, including wort, liquid malt, malt syrup  
35 and malt extract, which is not subject to taxation under the provisions of  
36 K.S.A. 79-41a02 and amendments thereto, motor vehicles taxed pursuant  
37 to K.S.A. 79-5117, and amendments thereto, tires taxed pursuant to  
38 K.S.A. 65-3424d, and amendments thereto, drycleaning and laundry serv-  
39 ices taxed pursuant to K.S.A. 65-34,150, and amendments thereto, and  
40 gross receipts from regulated sports contests taxed pursuant to the Kansas  
41 professional regulated sports act, and amendments thereto;

42 (b) all sales of tangible personal property or service, including the  
43 renting and leasing of tangible personal property, purchased directly by

1 the state of Kansas, a political subdivision thereof, other than a school or  
2 educational institution, or purchased by a public or private nonprofit hos-  
3 pital or public hospital authority or nonprofit blood, tissue or organ bank  
4 and used exclusively for state, political subdivision, hospital or public hos-  
5 pital authority or nonprofit blood, tissue or organ bank purposes, except  
6 when: (1) Such state, hospital or public hospital authority is engaged or  
7 proposes to engage in any business specifically taxable under the provi-  
8 sions of this act and such items of tangible personal property or service  
9 are used or proposed to be used in such business, or (2) such political  
10 subdivision is engaged or proposes to engage in the business of furnishing  
11 gas, electricity or heat to others and such items of personal property or  
12 service are used or proposed to be used in such business;

13 (c) all sales of tangible personal property or services, including the  
14 renting and leasing of tangible personal property, purchased directly by  
15 a public or private elementary or secondary school or public or private  
16 nonprofit educational institution and used primarily by such school or  
17 institution for nonsectarian programs and activities provided or sponsored  
18 by such school or institution or in the erection, repair or enlargement of  
19 buildings to be used for such purposes. The exemption herein provided  
20 shall not apply to erection, construction, repair, enlargement or equip-  
21 ment of buildings used primarily for human habitation;

22 (d) all sales of tangible personal property or services purchased by a  
23 contractor for the purpose of constructing, equipping, reconstructing,  
24 maintaining, repairing, enlarging, furnishing or remodeling facilities for  
25 any public or private nonprofit hospital or public hospital authority, public  
26 or private elementary or secondary school or a public or private nonprofit  
27 educational institution, which would be exempt from taxation under the  
28 provisions of this act if purchased directly by such hospital or public hos-  
29 pital authority, school or educational institution; and all sales of tangible  
30 personal property or services purchased by a contractor for the purpose  
31 of constructing, equipping, reconstructing, maintaining, repairing, en-  
32 larging, furnishing or remodeling facilities for any political subdivision of  
33 the state or district described in subsection (s), the total cost of which is  
34 paid from funds of such political subdivision or district and which would  
35 be exempt from taxation under the provisions of this act if purchased  
36 directly by such political subdivision or district. Nothing in this subsection  
37 or in the provisions of K.S.A. 12-3418 and amendments thereto, shall be  
38 deemed to exempt the purchase of any construction machinery, equip-  
39 ment or tools used in the constructing, equipping, reconstructing, main-  
40 taining, repairing, enlarging, furnishing or remodeling facilities for any  
41 political subdivision of the state or any such district. As used in this sub-  
42 section, K.S.A. 12-3418 and 79-3640, and amendments thereto, "funds  
43 of a political subdivision" shall mean general tax revenues, the proceeds

1 of any bonds and gifts or grants-in-aid. Gifts shall not mean funds used  
2 for the purpose of constructing, equipping, reconstructing, repairing, en-  
3 larging, furnishing or remodeling facilities which are to be leased to the  
4 donor. When any political subdivision of the state, district described in  
5 subsection (s), public or private nonprofit hospital or public hospital au-  
6 thority, public or private elementary or secondary school or public or  
7 private nonprofit educational institution shall contract for the purpose of  
8 constructing, equipping, reconstructing, maintaining, repairing, enlarg-  
9 ing, furnishing or remodeling facilities, it shall obtain from the state and  
10 furnish to the contractor an exemption certificate for the project involved,  
11 and the contractor may purchase materials for incorporation in such pro-  
12 ject. The contractor shall furnish the number of such certificate to all  
13 suppliers from whom such purchases are made, and such suppliers shall  
14 execute invoices covering the same bearing the number of such certifi-  
15 cate. Upon completion of the project the contractor shall furnish to the  
16 political subdivision, district described in subsection (s), hospital or public  
17 hospital authority, school or educational institution concerned a sworn  
18 statement, on a form to be provided by the director of taxation, that all  
19 purchases so made were entitled to exemption under this subsection. As  
20 an alternative to the foregoing procedure, any such contracting entity may  
21 apply to the secretary of revenue for agent status for the sole purpose of  
22 issuing and furnishing project exemption certificates to contractors pur-  
23 suant to rules and regulations adopted by the secretary establishing con-  
24 ditions and standards for the granting and maintaining of such status. All  
25 invoices shall be held by the contractor for a period of five years and shall  
26 be subject to audit by the director of taxation. If any materials purchased  
27 under such a certificate are found not to have been incorporated in the  
28 building or other project or not to have been returned for credit or the  
29 sales or compensating tax otherwise imposed upon such materials which  
30 will not be so incorporated in the building or other project reported and  
31 paid by such contractor to the director of taxation not later than the 20th  
32 day of the month following the close of the month in which it shall be  
33 determined that such materials will not be used for the purpose for which  
34 such certificate was issued, the political subdivision, district described in  
35 subsection (s), hospital or public hospital authority, school or educational  
36 institution concerned shall be liable for tax on all materials purchased for  
37 the project, and upon payment thereof it may recover the same from the  
38 contractor together with reasonable attorney fees. Any contractor or any  
39 agent, employee or subcontractor thereof, who shall use or otherwise  
40 dispose of any materials purchased under such a certificate for any pur-  
41 pose other than that for which such a certificate is issued without the  
42 payment of the sales or compensating tax otherwise imposed upon such  
43 materials, shall be guilty of a misdemeanor and, upon conviction therefor,

1 shall be subject to the penalties provided for in subsection (g) of K.S.A.  
2 79-3615, and amendments thereto;

3 (e) all sales of tangible personal property or services purchased by a  
4 contractor for the erection, repair or enlargement of buildings or other  
5 projects for the government of the United States, its agencies or instru-  
6 mentalities, which would be exempt from taxation if purchased directly  
7 by the government of the United States, its agencies or instrumentalities.  
8 When the government of the United States, its agencies or instrumen-  
9 talities shall contract for the erection, repair, or enlargement of any build-  
10 ing or other project, it shall obtain from the state and furnish to the  
11 contractor an exemption certificate for the project involved, and the con-  
12 tractor may purchase materials for incorporation in such project. The  
13 contractor shall furnish the number of such certificates to all suppliers  
14 from whom such purchases are made, and such suppliers shall execute  
15 invoices covering the same bearing the number of such certificate. Upon  
16 completion of the project the contractor shall furnish to the government  
17 of the United States, its agencies or instrumentalities concerned a sworn  
18 statement, on a form to be provided by the director of taxation, that all  
19 purchases so made were entitled to exemption under this subsection. As  
20 an alternative to the foregoing procedure, any such contracting entity may  
21 apply to the secretary of revenue for agent status for the sole purpose of  
22 issuing and furnishing project exemption certificates to contractors pur-  
23 suant to rules and regulations adopted by the secretary establishing con-  
24 ditions and standards for the granting and maintaining of such status. All  
25 invoices shall be held by the contractor for a period of five years and shall  
26 be subject to audit by the director of taxation. Any contractor or any agent,  
27 employee or subcontractor thereof, who shall use or otherwise dispose of  
28 any materials purchased under such a certificate for any purpose other  
29 than that for which such a certificate is issued without the payment of  
30 the sales or compensating tax otherwise imposed upon such materials,  
31 shall be guilty of a misdemeanor and, upon conviction therefor, shall be  
32 subject to the penalties provided for in subsection (g) of K.S.A. 79-3615  
33 and amendments thereto;

34 (f) tangible personal property purchased by a railroad or public utility  
35 for consumption or movement directly and immediately in interstate  
36 commerce;

37 (g) sales of aircraft including remanufactured and modified aircraft  
38 sold to persons using directly or through an authorized agent such aircraft  
39 as certified or licensed carriers of persons or property in interstate or  
40 foreign commerce under authority of the laws of the United States or any  
41 foreign government or sold to any foreign government or agency or in-  
42 strumentality of such foreign government and all sales of aircraft for use  
43 outside of the United States and sales of aircraft repair, modification and

- 1 replacement parts and sales of services employed in the remanufacture,  
2 modification and repair of aircraft;
- 3 (h) all rentals of nonsectarian textbooks by public or private elemen-  
4 tary or secondary schools;
- 5 (i) the lease or rental of all films, records, tapes, or any type of sound  
6 or picture transcriptions used by motion picture exhibitors;
- 7 (j) meals served without charge or food used in the preparation of  
8 such meals to employees of any restaurant, eating house, dining car, hotel,  
9 drugstore or other place where meals or drinks are regularly sold to the  
10 public if such employees' duties are related to the furnishing or sale of  
11 such meals or drinks;
- 12 (k) any motor vehicle, semitrailer or pole trailer, as such terms are  
13 defined by K.S.A. 8-126 and amendments thereto, or aircraft sold and  
14 delivered in this state to a bona fide resident of another state, which motor  
15 vehicle, semitrailer, pole trailer or aircraft is not to be registered or based  
16 in this state and which vehicle, semitrailer, pole trailer or aircraft will not  
17 remain in this state more than 10 days;
- 18 (l) all isolated or occasional sales of tangible personal property, serv-  
19 ices, substances or things, except isolated or occasional sale of motor  
20 vehicles specifically taxed under the provisions of subsection (o) of K.S.A.  
21 79-3603 and amendments thereto;
- 22 (m) all sales of tangible personal property which become an ingre-  
23 dient or component part of tangible personal property or services pro-  
24 duced, manufactured or compounded for ultimate sale at retail within or  
25 without the state of Kansas; and any such producer, manufacturer or  
26 compounder may obtain from the director of taxation and furnish to the  
27 supplier an exemption certificate number for tangible personal property  
28 for use as an ingredient or component part of the property or services  
29 produced, manufactured or compounded;
- 30 (n) *for all taxable years commencing on and after December 31, 2005,*  
31 *all sales of tangible personal property which is consumed in the produ-*  
32 *tion, manufacture, processing, mining, drilling, refining or compounding*  
33 *of tangible personal property, the treating of by-products or wastes de-*  
34 *derived from any such production process, the providing of services or the*  
35 *irrigation of crops for ultimate sale at retail within or without the state of*  
36 *Kansas by taxpayers classified as establishments in sector 31-33, manu-*  
37 *facturing of the North American industry classification system United*  
38 *States manual; and any purchaser of such property may obtain from the*  
39 *director of taxation and furnish to the supplier an exemption certificate*  
40 *number for tangible personal property for consumption in such produ-*  
41 *tion, manufacture, processing, mining, drilling, refining, compounding,*  
42 *treating, irrigation and in providing such services;*
- 43 (o) all sales of animals, fowl and aquatic plants and animals, the pri-

1    mary purpose of which is use in agriculture or aquaculture, as defined in  
2    K.S.A. 47-1901, and amendments thereto, the production of food for  
3    human consumption, the production of animal, dairy, poultry or aquatic  
4    plant and animal products, fiber or fur, or the production of offspring for  
5    use for any such purpose or purposes;

6    (p) all sales of drugs dispensed pursuant to a prescription order by a  
7    licensed practitioner or a mid-level practitioner as defined by K.S.A. 65-  
8    1626, and amendments thereto. As used in this subsection, “drug” means  
9    a compound, substance or preparation and any component of a com-  
10    pound, substance or preparation, other than food and food ingredients,  
11    dietary supplements or alcoholic beverages, recognized in the official  
12    United States pharmacopoeia, official homeopathic pharmacopoeia of the  
13    United States or official national formulary, and supplement to any of  
14    them, intended for use in the diagnosis, cure, mitigation, treatment or  
15    prevention of disease or intended to affect the structure or any function  
16    of the body;

17    (q) all sales of insulin dispensed by a person licensed by the state  
18    board of pharmacy to a person for treatment of diabetes at the direction  
19    of a person licensed to practice medicine by the board of healing arts;

20    (r) all sales of prosthetic devices and mobility enhancing equipment  
21    prescribed in writing by a person licensed to practice the healing arts,  
22    dentistry or optometry, and in addition to such sales, all sales of hearing  
23    aids, as defined by subsection (c) of K.S.A. 74-5807, and amendments  
24    thereto, and replacement parts therefor, including batteries, by a person  
25    licensed in the practice of dispensing and fitting hearing aids pursuant to  
26    the provisions of K.S.A. 74-5808, and amendments thereto. For the pur-  
27    poses of this subsection: (1) “Mobility enhancing equipment” means  
28    equipment including repair and replacement parts to same, but does not  
29    include durable medical equipment, which is primarily and customarily  
30    used to provide or increase the ability to move from one place to another  
31    and which is appropriate for use either in a home or a motor vehicle; is  
32    not generally used by persons with normal mobility; and does not include  
33    any motor vehicle or equipment on a motor vehicle normally provided by  
34    a motor vehicle manufacturer; and (2) “prosthetic device” means a re-  
35    placement, corrective or supportive device including repair and replace-  
36    ment parts for same worn on or in the body to artificially replace a missing  
37    portion of the body, prevent or correct physical deformity or malfunction  
38    or support a weak or deformed portion of the body;

39    (s) except as provided in K.S.A. 2004 Supp. 82a-2101, and amend-  
40    ments thereto, all sales of tangible personal property or services pur-  
41    chased directly or indirectly by a groundwater management district or-  
42    ganized or operating under the authority of K.S.A. 82a-1020 *et seq.* and  
43    amendments thereto, by a rural water district organized or operating un-

1 der the authority of K.S.A. 82a-612, and amendments thereto, or by a  
2 water supply district organized or operating under the authority of K.S.A.  
3 19-3501 *et seq.*, 19-3522 *et seq.* or 19-3545, and amendments thereto,  
4 which property or services are used in the construction activities, opera-  
5 tion or maintenance of the district;

6 (t) all sales of farm machinery and equipment or aquaculture ma-  
7 chinery and equipment, repair and replacement parts therefor and serv-  
8 ices performed in the repair and maintenance of such machinery and  
9 equipment. For the purposes of this subsection the term “farm machinery  
10 and equipment or aquaculture machinery and equipment” shall include  
11 machinery and equipment used in the operation of Christmas tree farm-  
12 ing but shall not include any passenger vehicle, truck, truck tractor, trailer,  
13 semitrailer or pole trailer, other than a farm trailer, as such terms are  
14 defined by K.S.A. 8-126 and amendments thereto. Each purchaser of  
15 farm machinery and equipment or aquaculture machinery and equipment  
16 exempted herein must certify in writing on the copy of the invoice or  
17 sales ticket to be retained by the seller that the farm machinery and  
18 equipment or aquaculture machinery and equipment purchased will be  
19 used only in farming, ranching or aquaculture production. Farming or  
20 ranching shall include the operation of a feedlot and farm and ranch work  
21 for hire and the operation of a nursery;

22 (u) all leases or rentals of tangible personal property used as a dwell-  
23 ing if such tangible personal property is leased or rented for a period of  
24 more than 28 consecutive days;

25 (v) all sales of tangible personal property to any contractor for use in  
26 preparing meals for delivery to homebound elderly persons over 60 years  
27 of age and to homebound disabled persons or to be served at a group-  
28 sitting at a location outside of the home to otherwise homebound elderly  
29 persons over 60 years of age and to otherwise homebound disabled per-  
30 sons, as all or part of any food service project funded in whole or in part  
31 by government or as part of a private nonprofit food service project avail-  
32 able to all such elderly or disabled persons residing within an area of  
33 service designated by the private nonprofit organization, and all sales of  
34 tangible personal property for use in preparing meals for consumption by  
35 indigent or homeless individuals whether or not such meals are consumed  
36 at a place designated for such purpose, and all sales of food products by  
37 or on behalf of any such contractor or organization for any such purpose;

38 (w) all sales of natural gas, electricity, heat and water delivered  
39 through mains, lines or pipes: (1) To residential premises for noncom-  
40 mercial use by the occupant of such premises; (2) for agricultural use and  
41 also, for such use, all sales of propane gas; (3) for use in the severing of  
42 oil; and (4) to any property which is exempt from property taxation pur-  
43 suant to K.S.A. 79-201b *Second* through *Sixth*. As used in this paragraph,

1 “severing” shall have the meaning ascribed thereto by subsection (k) of  
2 K.S.A. 79-4216, and amendments thereto. For all sales of natural gas,  
3 electricity and heat delivered through mains, lines or pipes pursuant to  
4 the provisions of subsection (w)(1) and (w)(2), the provisions of this sub-  
5 section shall expire on December 31, 2005;

6 (x) all sales of propane gas, LP-gas, coal, wood and other fuel sources  
7 for the production of heat or lighting for noncommercial use of an oc-  
8 cupant of residential premises occurring prior to January 1, 2006;

9 (y) all sales of materials and services used in the repairing, servicing,  
10 altering, maintaining, manufacturing, remanufacturing, or modification of  
11 railroad rolling stock for use in interstate or foreign commerce under  
12 authority of the laws of the United States;

13 (z) all sales of tangible personal property and services purchased di-  
14 rectly by a port authority or by a contractor therefor as provided by the  
15 provisions of K.S.A. 12-3418 and amendments thereto;

16 (aa) all sales of materials and services applied to equipment which is  
17 transported into the state from without the state for repair, service, al-  
18 teration, maintenance, remanufacture or modification and which is sub-  
19 sequently transported outside the state for use in the transmission of  
20 liquids or natural gas by means of pipeline in interstate or foreign com-  
21 merce under authority of the laws of the United States;

22 (bb) all sales of used mobile homes or manufactured homes. As used  
23 in this subsection: (1) “Mobile homes” and “manufactured homes” shall  
24 have the meanings ascribed thereto by K.S.A. 58-4202 and amendments  
25 thereto; and (2) “sales of used mobile homes or manufactured homes”  
26 means sales other than the original retail sale thereof;

27 ~~(cc) all sales of tangible personal property or services purchased for~~  
28 ~~the purpose of and in conjunction with constructing, reconstructing, en-~~  
29 ~~larging or remodeling a business or retail business which meets the~~  
30 ~~requirements established in K.S.A. 74-50,115 and amendments thereto,~~  
31 ~~and the sale and installation of machinery and equipment purchased for~~  
32 ~~installation at any such business or retail business. When a person shall~~  
33 ~~contract for the construction, reconstruction, enlargement or remodeling~~  
34 ~~of any such business or retail business, such person shall obtain from the~~  
35 ~~state and furnish to the contractor an exemption certificate for the project~~  
36 ~~involved, and the contractor may purchase materials, machinery and~~  
37 ~~equipment for incorporation in such project. The contractor shall furnish~~  
38 ~~the number of such certificates to all suppliers from whom such purchases~~  
39 ~~are made, and such suppliers shall execute invoices covering the same~~  
40 ~~bearing the number of such certificate. Upon completion of the project~~  
41 ~~the contractor shall furnish to the owner of the business or retail business~~  
42 ~~a sworn statement, on a form to be provided by the director of taxation,~~  
43 ~~that all purchases so made were entitled to exemption under this subsec-~~

1 tion. All invoices shall be held by the contractor for a period of five years  
2 and shall be subject to audit by the director of taxation. Any contractor  
3 or any agent, employee or subcontractor thereof, who shall use or oth-  
4 erwise dispose of any materials, machinery or equipment purchased under  
5 such a certificate for any purpose other than that for which such a  
6 certificate is issued without the payment of the sales or compensating tax  
7 otherwise imposed thereon, shall be guilty of a misdemeanor and, upon  
8 conviction therefor, shall be subject to the penalties provided for in sub-  
9 section (g) of K.S.A. 79-3615 and amendments thereto. As used in this  
10 subsection, "business" and "retail business" have the meanings respec-  
11 tively ascribed thereto by K.S.A. 74-50,114 and amendments thereto;  
12 ~~(dd)~~ all sales of tangible personal property purchased with food  
13 stamps issued by the United States department of agriculture;  
14 ~~(ee)~~ (dd) all sales of lottery tickets and shares made as part of a lottery  
15 operated by the state of Kansas;  
16 ~~(ff)~~ (ee) on and after July 1, 1988, all sales of new mobile homes or  
17 manufactured homes to the extent of 40% of the gross receipts, deter-  
18 mined without regard to any trade-in allowance, received from such sale.  
19 As used in this subsection, "mobile homes" and "manufactured homes"  
20 shall have the meanings ascribed thereto by K.S.A. 58-4202 and amend-  
21 ments thereto;  
22 ~~(gg)~~ (ff) all sales of tangible personal property purchased in accord-  
23 ance with vouchers issued pursuant to the federal special supplemental  
24 food program for women, infants and children;  
25 ~~(hh)~~ (gg) all sales of medical supplies and equipment, including du-  
26 rable medical equipment, purchased directly by a nonprofit skilled nurs-  
27 ing home or nonprofit intermediate nursing care home, as defined by  
28 K.S.A. 39-923, and amendments thereto, for the purpose of providing  
29 medical services to residents thereof. This exemption shall not apply to  
30 tangible personal property customarily used for human habitation pur-  
31 poses. As used in this subsection, "durable medical equipment" means  
32 equipment including repair and replacement parts for such equipment,  
33 but does not include mobility enhancing equipment as defined in sub-  
34 section (r) which can withstand repeated use, is primarily and customarily  
35 used to serve a medical purpose, generally is not useful to a person in the  
36 absence of illness or injury and is not worn in or on the body;  
37 ~~(ii)~~ (hh) all sales of tangible personal property purchased directly by  
38 a nonprofit organization for nonsectarian comprehensive multidiscipline  
39 youth development programs and activities provided or sponsored by  
40 such organization, and all sales of tangible personal property by or on  
41 behalf of any such organization. This exemption shall not apply to tangible  
42 personal property customarily used for human habitation purposes;  
43 ~~(jj)~~ (ii) all sales of tangible personal property or services, including

1 the renting and leasing of tangible personal property, purchased directly  
2 on behalf of a community-based mental retardation facility or mental  
3 health center organized pursuant to K.S.A. 19-4001 *et seq.*, and amend-  
4 ments thereto, and licensed in accordance with the provisions of K.S.A.  
5 75-3307b and amendments thereto and all sales of tangible personal prop-  
6 erty or services purchased by contractors during the time period from  
7 July, 2003, through June, 2004, for the purpose of constructing, equip-  
8 ping, maintaining or furnishing a new facility for a community-based men-  
9 tal retardation facility or mental health center located in Riverton, Cher-  
10 okee County, Kansas, which would have been eligible for sales tax  
11 exemption pursuant to this subsection if purchased directly by such fac-  
12 ility or center. This exemption shall not apply to tangible personal prop-  
13 erty customarily used for human habitation purposes;

14 ~~(kk) (1) (A) all sales of machinery and equipment which are used in~~  
15 ~~this state as an integral or essential part of an integrated production op-~~  
16 ~~eration by a manufacturing or processing plant or facility;~~  
17 ~~—(B) all sales of installation, repair and maintenance services per-~~  
18 ~~formed on such machinery and equipment; and~~  
19 ~~—(C) all sales of repair and replacement parts and accessories pur-~~  
20 ~~chased for such machinery and equipment.~~  
21 ~~—(2) For purposes of this subsection:~~  
22 ~~—(A) “Integrated production operation” means an integrated series of~~  
23 ~~operations engaged in at a manufacturing or processing plant or facility~~  
24 ~~to process, transform or convert tangible personal property by physical,~~  
25 ~~chemical or other means into a different form, composition or character~~  
26 ~~from that in which it originally existed. Integrated production operations~~  
27 ~~shall include: (i) Production line operations, including packaging opera-~~  
28 ~~tions; (ii) preproduction operations to handle, store and treat raw mate-~~  
29 ~~rials; (iii) post production handling, storage, warehousing and distribution~~  
30 ~~operations; and (iv) waste, pollution and environmental control opera-~~  
31 ~~tions, if any;~~  
32 ~~—(B) “production line” means the assemblage of machinery and equip-~~  
33 ~~ment at a manufacturing or processing plant or facility where the actual~~  
34 ~~transformation or processing of tangible personal property occurs;~~  
35 ~~—(C) “manufacturing or processing plant or facility” means a single,~~  
36 ~~fixed location owned or controlled by a manufacturing or processing busi-~~  
37 ~~ness that consists of one or more structures or buildings in a contiguous~~  
38 ~~area where integrated production operations are conducted to manufac-~~  
39 ~~ture or process tangible personal property to be ultimately sold at retail.~~  
40 ~~Such term shall not include any facility primarily operated for the purpose~~  
41 ~~of conveying or assisting in the conveyance of natural gas, electricity, oil~~  
42 ~~or water. A business may operate one or more manufacturing or pro-~~  
43 ~~cessing plants or facilities at different locations to manufacture or process~~

1 a single product of tangible personal property to be ultimately sold at  
2 retail;

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

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

- 1 ~~—(F) “primary” or “primarily” mean more than 50% of the time.~~  
2 ~~—(3) For purposes of this subsection, machinery and equipment shall~~  
3 ~~be deemed to be used as an integral or essential part of an integrated~~  
4 ~~production operation when used:~~  
5 ~~—(A) To receive, transport, convey, handle, treat or store raw materials~~  
6 ~~in preparation of its placement on the production line;~~  
7 ~~—(B) to transport, convey, handle or store the property undergoing~~  
8 ~~manufacturing or processing at any point from the beginning of the pro-~~  
9 ~~duction line through any warehousing or distribution operation of the~~  
10 ~~final product that occurs at the plant or facility;~~  
11 ~~—(C) to act upon, effect, promote or otherwise facilitate a physical~~  
12 ~~change to the property undergoing manufacturing or processing;~~  
13 ~~—(D) to guide, control or direct the movement of property undergoing~~  
14 ~~manufacturing or processing;~~  
15 ~~—(E) to test or measure raw materials, the property undergoing man-~~  
16 ~~ufacturing or processing or the finished product, as a necessary part of~~  
17 ~~the manufacturer’s integrated production operations;~~  
18 ~~—(F) to plan, manage, control or record the receipt and flow of inven-~~  
19 ~~tories of raw materials, consumables and component parts, the flow of~~  
20 ~~the property undergoing manufacturing or processing and the manage-~~  
21 ~~ment of inventories of the finished product;~~  
22 ~~—(G) to produce energy for, lubricate, control the operating of or oth-~~  
23 ~~erwise enable the functioning of other production machinery and equip-~~  
24 ~~ment and the continuation of production operations;~~  
25 ~~—(H) to package the property being manufactured or processed in a~~  
26 ~~container or wrapping in which such property is normally sold or trans-~~  
27 ~~ported;~~  
28 ~~—(I) to transmit or transport electricity, coke, gas, water, steam or sim-~~  
29 ~~ilar substances used in production operations from the point of genera-~~  
30 ~~tion, if produced by the manufacturer or processor at the plant site, to~~  
31 ~~that manufacturer’s production operation; or, if purchased or delivered~~  
32 ~~from offsite, from the point where the substance enters the site of the~~  
33 ~~plant or facility to that manufacturer’s production operations;~~  
34 ~~—(J) to cool, heat, filter, refine or otherwise treat water, steam, acid,~~  
35 ~~oil, solvents or other substances that are used in production operations;~~  
36 ~~—(K) to provide and control an environment required to maintain cer-~~  
37 ~~tain levels of air quality, humidity or temperature in special and limited~~  
38 ~~areas of the plant or facility, where such regulation of temperature or~~  
39 ~~humidity is part of and essential to the production process;~~  
40 ~~—(L) to treat, transport or store waste or other byproducts of produc-~~  
41 ~~tion operations at the plant or facility; or~~  
42 ~~—(M) to control pollution at the plant or facility where the pollution is~~  
43 ~~produced by the manufacturing or processing operation.~~

1 ~~—(4) The following machinery, equipment and materials shall be~~  
2 ~~deemed to be exempt even though it may not otherwise qualify as ma-~~  
3 ~~chinery and equipment used as an integral or essential part of an inte-~~  
4 ~~grated production operation: (A) Computers and related peripheral~~  
5 ~~equipment that are utilized by a manufacturing or processing business~~  
6 ~~for engineering of the finished product or for research and development~~  
7 ~~or product design; (B) machinery and equipment that is utilized by a~~  
8 ~~manufacturing or processing business to manufacture or rebuild tangible~~  
9 ~~personal property that is used in manufacturing or processing operations;~~  
10 ~~including tools, dies, molds, forms and other parts of qualifying machinery~~  
11 ~~and equipment; (C) portable plants for aggregate concrete, bulk cement~~  
12 ~~and asphalt including cement mixing drums to be attached to a motor~~  
13 ~~vehicle; (D) industrial fixtures, devices, support facilities and special foun-~~  
14 ~~dations necessary for manufacturing and production operations, and ma-~~  
15 ~~terials and other tangible personal property sold for the purpose of fab-~~  
16 ~~ricating such fixtures, devices, facilities and foundations. An exemption~~  
17 ~~certificate for such purchases shall be signed by the manufacturer or~~  
18 ~~processor. If the fabricator purchases such material, the fabricator shall~~  
19 ~~also sign the exemption certificate, and (E) a manufacturing or processing~~  
20 ~~business' laboratory equipment that is not located at the plant or facility;~~  
21 ~~but that would otherwise qualify for exemption under subsection (3)(E).~~  
22 ~~—(5) “Machinery and equipment used as an integral or essential part~~  
23 ~~of an integrated production operation” shall not include:~~  
24 ~~—(A) Machinery and equipment used for nonproduction purposes, in-~~  
25 ~~cluding, but not limited to, machinery and equipment used for plant se-~~  
26 ~~curity, fire prevention, first aid, accounting, administration, record keep-~~  
27 ~~ing, advertising, marketing, sales or other related activities, plant cleaning;~~  
28 ~~plant communications, and employee work scheduling;~~  
29 ~~—(B) machinery, equipment and tools used primarily in maintaining~~  
30 ~~and repairing any type of machinery and equipment or the building and~~  
31 ~~plant;~~  
32 ~~—(C) transportation, transmission and distribution equipment not pri-~~  
33 ~~marily used in a production, warehousing or material handling operation~~  
34 ~~at the plant or facility, including the means of conveyance of natural gas;~~  
35 ~~electricity, oil or water, and equipment related thereto, located outside~~  
36 ~~the plant or facility;~~  
37 ~~—(D) office machines and equipment including computers and related~~  
38 ~~peripheral equipment not used directly and primarily to control or mea-~~  
39 ~~sure the manufacturing process;~~  
40 ~~—(E) furniture and other furnishings;~~  
41 ~~—(F) buildings, other than exempt machinery and equipment that is~~  
42 ~~permanently affixed to or becomes a physical part of the building, and~~  
43 ~~any other part of real estate that is not otherwise exempt;~~

- 1 ~~—(G) building fixtures that are not integral to the manufacturing op-~~  
2 ~~eration, such as utility systems for heating, ventilation, air conditioning,~~  
3 ~~communications, plumbing or electrical;~~  
4 ~~—(H) machinery and equipment used for general plant heating, cooling~~  
5 ~~and lighting;~~  
6 ~~—(I) motor vehicles that are registered for operation on public high-~~  
7 ~~ways; or~~  
8 ~~—(J) employee apparel, except safety and protective apparel that is pur-~~  
9 ~~chased by an employer and furnished gratuitously to employees who are~~  
10 ~~involved in production or research activities.~~  
11 ~~—(6) Subsections (3) and (5) shall not be construed as exclusive listings~~  
12 ~~of the machinery and equipment that qualify or do not qualify as an~~  
13 ~~integral or essential part of an integrated production operation. When~~  
14 ~~machinery or equipment is used as an integral or essential part of pro-~~  
15 ~~duction operations part of the time and for nonproduction purpose at~~  
16 ~~other times, the primary use of the machinery or equipment shall deter-~~  
17 ~~mine whether or not such machinery or equipment qualifies for exemp-~~  
18 ~~tion.~~  
19 ~~—(7) The secretary of revenue shall adopt rules and regulations nec-~~  
20 ~~essary to administer the provisions of this subsection;~~  
21 ~~—(H) (jj) all sales of educational materials purchased for distribution to~~  
22 ~~the public at no charge by a nonprofit corporation organized for the pur-~~  
23 ~~pose of encouraging, fostering and conducting programs for the improve-~~  
24 ~~ment of public health;~~  
25 ~~(mm) (kk) all sales of seeds and tree seedlings; fertilizers, insecticides,~~  
26 ~~herbicides, germicides, pesticides and fungicides; and services, purchased~~  
27 ~~and used for the purpose of producing plants in order to prevent soil~~  
28 ~~erosion on land devoted to agricultural use;~~  
29 ~~(nn) (ll) except as otherwise provided in this act, all sales of services~~  
30 ~~rendered by an advertising agency or licensed broadcast station or any~~  
31 ~~member, agent or employee thereof;~~  
32 ~~(oo) (mm) all sales of tangible personal property purchased by a com-~~  
33 ~~munity action group or agency for the exclusive purpose of repairing or~~  
34 ~~weatherizing housing occupied by low income individuals;~~  
35 ~~(pp) (nn) all sales of drill bits and explosives actually utilized in the~~  
36 ~~exploration and production of oil or gas;~~  
37 ~~(qq) (oo) all sales of tangible personal property and services pur-~~  
38 ~~chased by a nonprofit museum or historical society or any combination~~  
39 ~~thereof, including a nonprofit organization which is organized for the~~  
40 ~~purpose of stimulating public interest in the exploration of space by pro-~~  
41 ~~viding educational information, exhibits and experiences, which is exempt~~  
42 ~~from federal income taxation pursuant to section 501(c)(3) of the federal~~  
43 ~~internal revenue code of 1986;~~

- 1     ~~(pp)~~ (pp) all sales of tangible personal property which will admit the  
2 purchaser thereof to any annual event sponsored by a nonprofit organi-  
3 zation which is exempt from federal income taxation pursuant to section  
4 501(c)(3) of the federal internal revenue code of 1986;
- 5     ~~(qq)~~ (qq) all sales of tangible personal property and services purchased  
6 by a public broadcasting station licensed by the federal communications  
7 commission as a noncommercial educational television or radio station;
- 8     ~~(rr)~~ (rr) all sales of tangible personal property and services purchased  
9 by or on behalf of a not-for-profit corporation which is exempt from fed-  
10 eral income taxation pursuant to section 501(c)(3) of the federal internal  
11 revenue code of 1986, for the sole purpose of constructing a Kansas Ko-  
12 rean War memorial;
- 13     ~~(ss)~~ (ss) all sales of tangible personal property and services purchased  
14 by or on behalf of any rural volunteer fire-fighting organization for use  
15 exclusively in the performance of its duties and functions;
- 16     ~~(tt)~~ (tt) all sales of tangible personal property purchased by any of  
17 the following organizations which are exempt from federal income taxa-  
18 tion pursuant to section 501 (c)(3) of the federal internal revenue code  
19 of 1986, for the following purposes, and all sales of any such property by  
20 or on behalf of any such organization for any such purpose:
- 21         (1) The American Heart Association, Kansas Affiliate, Inc. for the  
22 purposes of providing education, training, certification in emergency car-  
23 diac care, research and other related services to reduce disability and  
24 death from cardiovascular diseases and stroke;
  - 25         (2) the Kansas Alliance for the Mentally Ill, Inc. for the purpose of  
26 advocacy for persons with mental illness and to education, research and  
27 support for their families;
  - 28         (3) the Kansas Mental Illness Awareness Council for the purposes of  
29 advocacy for persons who are mentally ill and to education, research and  
30 support for them and their families;
  - 31         (4) the American Diabetes Association Kansas Affiliate, Inc. for the  
32 purpose of eliminating diabetes through medical research, public edu-  
33 cation focusing on disease prevention and education, patient education  
34 including information on coping with diabetes, and professional education  
35 and training;
  - 36         (5) the American Lung Association of Kansas, Inc. for the purpose of  
37 eliminating all lung diseases through medical research, public education  
38 including information on coping with lung diseases, professional educa-  
39 tion and training related to lung disease and other related services to  
40 reduce the incidence of disability and death due to lung disease;
  - 41         (6) the Kansas chapters of the Alzheimer's Disease and Related Dis-  
42 orders Association, Inc. for the purpose of providing assistance and sup-  
43 port to persons in Kansas with Alzheimer's disease, and their families and

1 caregivers;

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

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

8 (9) the heartstrings community foundation for the purpose of provid-  
9 ing training, employment and activities for adults with developmental  
10 disabilities;

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

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

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

22 ~~(xx)~~ (vv) all sales of tangible personal property and services purchased  
23 by a nonprofit zoo which is exempt from federal income taxation pursuant  
24 to section 501(c)(3) of the federal internal revenue code of 1986, or on  
25 behalf of such zoo by an entity itself exempt from federal income taxation  
26 pursuant to section 501(c)(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 con-  
29 structing, 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  
33 in this subsection shall be deemed to exempt the purchase of any con-  
34 struction machinery, equipment or tools used in the constructing, equip-  
35 ping, reconstructing, maintaining, repairing, enlarging, furnishing or re-  
36 modeling facilities for any nonprofit zoo. When any nonprofit zoo shall  
37 contract for the purpose of constructing, equipping, reconstructing, main-  
38 taining, repairing, enlarging, furnishing or remodeling facilities, it shall  
39 obtain from the state and furnish to the contractor an exemption certifi-  
40 cate for the project involved, and the contractor may purchase materials  
41 for incorporation in such project. The contractor shall furnish the number  
42 of such certificate to all suppliers from whom such purchases are made,  
43 and 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  
6 the director of taxation. If any materials purchased under such a certifi-  
7 cate are found not to have been incorporated in the building or other  
8 project or not to have been returned for credit or the sales or compen-  
9 sating tax otherwise imposed upon such materials which will not be so  
10 incorporated in the building or other project reported and paid by such  
11 contractor to the director of taxation not later than the 20th day of the  
12 month following the close of the month in which it shall be determined  
13 that such materials will not be used for the purpose for which such cer-  
14 tificate was issued, the nonprofit zoo concerned shall be liable for tax on  
15 all materials purchased for the project, and upon payment thereof it may  
16 recover the same from the contractor together with reasonable attorney  
17 fees. Any contractor or any agent, employee or subcontractor thereof,  
18 who shall use or otherwise dispose of any materials purchased under such  
19 a certificate for any purpose other than that for which such a certificate  
20 is issued without the payment of the sales or compensating tax otherwise  
21 imposed upon such materials, shall be guilty of a misdemeanor and, upon  
22 conviction therefor, shall be subject to the penalties provided for in sub-  
23 section (g) of K.S.A. 79-3615, and amendments thereto;

24 ~~(yy)~~ (ww) all sales of tangible personal property and services pur-  
25 chased by a parent-teacher association or organization, and all sales of  
26 tangible personal property by or on behalf of such association or organi-  
27 zation;

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

38 ~~(aaa)~~ (yy) all sales of tangible personal property and services pur-  
39 chased by a religious organization which is exempt from federal income  
40 taxation pursuant to section 501(c)(3) of the federal internal revenue  
41 code, and used exclusively for religious purposes, and all sales of tangible  
42 personal property or services purchased by a contractor for the purpose  
43 of constructing, equipping, reconstructing, maintaining, repairing, en-

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

1 claim and shall refund that amount of sales tax paid as determined under  
2 the provisions of this subsection. All refunds shall be paid from the sales  
3 tax refund fund upon warrants of the director of accounts and reports  
4 pursuant to vouchers approved by the director or the director's designee;  
5 ~~(bbb)~~ (zz) all sales of food for human consumption by an organization  
6 which is exempt from federal income taxation pursuant to section 501  
7 (c)(3) of the federal internal revenue code of 1986, pursuant to a food  
8 distribution program which offers such food at a price below cost in  
9 exchange for the performance of community service by the purchaser  
10 thereof;  
11 ~~(ccc)~~ (aaa) on and after July 1, 1999, all sales of tangible personal  
12 property and services purchased by a primary care clinic or health center  
13 the primary purpose of which is to provide services to medically under-  
14 served individuals and families, and which is exempt from federal income  
15 taxation pursuant to section 501 (c)(3) of the federal internal revenue  
16 code, and all sales of tangible personal property or services purchased by  
17 a contractor for the purpose of constructing, equipping, reconstructing,  
18 maintaining, repairing, enlarging, furnishing or remodeling facilities for  
19 any such clinic or center which would be exempt from taxation under the  
20 provisions of this section if purchased directly by such clinic or center.  
21 Nothing in this subsection shall be deemed to exempt the purchase of  
22 any construction machinery, equipment or tools used in the constructing,  
23 equipping, reconstructing, maintaining, repairing, enlarging, furnishing  
24 or remodeling facilities for any such clinic or center. When any such clinic  
25 or center shall contract for the purpose of constructing, equipping, re-  
26 constructing, maintaining, repairing, enlarging, furnishing or remodeling  
27 facilities, it shall obtain from the state and furnish to the contractor an  
28 exemption certificate for the project involved, and the contractor may  
29 purchase materials for incorporation in such project. The contractor shall  
30 furnish the number of such certificate to all suppliers from whom such  
31 purchases are made, and such suppliers shall execute invoices covering  
32 the same bearing the number of such certificate. Upon completion of the  
33 project the contractor shall furnish to such clinic or center concerned a  
34 sworn statement, on a form to be provided by the director of taxation,  
35 that all purchases so made were entitled to exemption under this subsec-  
36 tion. All invoices shall be held by the contractor for a period of five years  
37 and shall be subject to audit by the director of taxation. If any materials  
38 purchased under such a certificate are found not to have been incorpo-  
39 rated in the building or other project or not to have been returned for  
40 credit or the sales or compensating tax otherwise imposed upon such  
41 materials which will not be so incorporated in the building or other pro-  
42 ject reported and paid by such contractor to the director of taxation not  
43 later than the 20th day of the month following the close of the month in

1 which it shall be determined that such materials will not be used for the  
2 purpose for which such certificate was issued, such clinic or center con-  
3 cerned shall be liable for tax on all materials purchased for the project,  
4 and upon payment thereof it may recover the same from the contractor  
5 together with reasonable attorney fees. Any contractor or any agent, em-  
6 ployee or subcontractor thereof, who shall use or otherwise dispose of  
7 any materials purchased under such a certificate for any purpose other  
8 than that for which such a certificate is issued without the payment of  
9 the sales or compensating tax otherwise imposed upon such materials,  
10 shall be guilty of a misdemeanor and, upon conviction therefor, shall be  
11 subject to the penalties provided for in subsection (g) of K.S.A. 79-3615,  
12 and amendments thereto;

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

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

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

1     ~~(eee)~~ *(eee)* all sales of tangible personal property and services pur-  
2     chased by or on behalf of the Kansas Academy of Science which is exempt  
3     from federal income taxation pursuant to section 501(c)(3) of the federal  
4     internal revenue code of 1986, and used solely by such academy for the  
5     preparation, publication and dissemination of education materials; and  
6     ~~(fff)~~ *(fff)* all sales of tangible personal property and services pur-  
7     chased by or on behalf of all domestic violence shelters that are member  
8     agencies of the Kansas coalition against sexual and domestic violence.  
9     Sec. 10. K.S.A. 74-50,132, 79-3220, 79-32,102, 79-32,103, 79-32,107,  
10    79-32,138, 79-32,142, 79-32,155, 79-32,156, 79-32,157, 79-32,158, 79-  
11    32,159, 79-32,159b, 79-32,160, 79-32,160b and 79-32,160c and K.S.A.  
12    2004 Supp. 79-32,101, 79-32,105, 79-32,110, 79-32,111, 79-32,153, 79-  
13    32,154, 79-32,160a, 79-32,182b, 79-32,206 and 79-3606 are hereby re-  
14    pealed.  
15    Sec. 11. This act shall take effect and be in force from and after its  
16    publication in the statute book.