

Substitute for HOUSE BILL No. 2395

By Committee on Taxation

3-30

1 AN ACT concerning taxation; relating to income tax, rates, determination
2 of Kansas adjusted gross income and deductions; sales and
3 compensating use tax, rates, food and food ingredients; amending
4 K.S.A. 2016 Supp. 79-32,110, 79-32,117, 79-32,119, 79-32,120, 79-
5 32,138, 79-3602, 79-3603, 79-3620, 79-3703 and 79-3710 and
6 repealing the existing sections; also repealing K.S.A. 2016 Supp. 79-
7 32,269.

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

10 Section 1. K.S.A. 2016 Supp. 79-32,110 is hereby amended to read as
11 follows: 79-32,110. (a) *Resident Individuals*. Except as otherwise provided
12 by K.S.A. 79-3220(a), and amendments thereto, a tax is hereby imposed
13 upon the Kansas taxable income of every resident individual, which tax
14 shall be computed in accordance with the following tax schedules:

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

16 (A) For tax year 2012:

17 If the taxable income is:	The tax is:
18 Not over \$30,000.....	3.5% of Kansas taxable income
19 Over \$30,000 but not over \$60,000.....	\$1,050 plus 6.25% of excess 20 over \$30,000
21 Over \$60,000.....	\$2,925 plus 6.45% of excess 22 over \$60,000

23 (B) For tax year 2013:

24 If the taxable income is:	The tax is:
25 Not over \$30,000.....	3.0% of Kansas taxable income
26 Over \$30,000.....	\$900 plus 4.9% of excess over 27 \$30,000

28 (C) For tax year 2014:

29 If the taxable income is:	The tax is:
30 Not over \$30,000.....	2.7% of Kansas taxable income
31 Over \$30,000.....	\$810 plus 4.8% of excess over 32 \$30,000

33 (D) For tax years 2015, 2016 and 2017:

34 If the taxable income is:	The tax is:
35 Not over \$30,000.....	2.7% of Kansas taxable income
36 Over \$30,000.....	\$810 plus 4.6% of excess over

1		\$30,000
2	(E) For tax year 2018, and all tax years thereafter:	
3	If the taxable income is:	The tax is:
4	Not over \$30,000.....	2.6% of Kansas taxable income
5	Over \$30,000.....	\$780 plus 4.6% of excess over
6	_____	\$30,000

7 (2) *All other individuals.*

8 (A) For tax year 2012:

9	If the taxable income is:	The tax is:
10	Not over \$15,000.....	3.5% of Kansas taxable income
11	Over \$15,000 but not over \$30,000.....	\$525 plus 6.25% of excess
12		over \$15,000
13	Over \$30,000.....	\$1,462.50 plus 6.45% of excess
14		over \$30,000

15 (B) For tax year 2013:

16	If the taxable income is:	The tax is:
17	Not over \$15,000.....	3.0% of Kansas taxable income
18	Over \$15,000.....	\$450 plus 4.9% of excess over
19		\$15,000

20 (C) For tax year 2014:

21	If the taxable income is:	The tax is:
22	Not over \$15,000.....	2.7% of Kansas taxable income
23	Over \$15,000.....	\$405 plus 4.8% of excess over
24		\$15,000

25 (D) For tax years 2015, 2016 and 2017:

26	If the taxable income is:	The tax is:
27	Not over \$15,000.....	2.7% of Kansas taxable income
28	Over \$15,000.....	\$405 plus 4.6% of excess over
29		\$15,000

30 ~~(E) For tax year 2018, and all tax years thereafter:~~

31	If the taxable income is:	The tax is:
32	Not over \$15,000.....	2.6% of Kansas taxable income
33	Over \$15,000.....	\$390 plus 4.6% of excess over
34	_____	\$15,000

35 (3) *All resident Individuals. For tax year 2018, and all tax years*
 36 *thereafter, for all individuals regardless of filing status, the tax shall be in*
 37 *an amount equal to 5% of the Kansas taxable income of such individuals.*

38 (b) *Nonresident Individuals.* A tax is hereby imposed upon the Kansas
 39 taxable income of every nonresident individual, which tax shall be an
 40 amount equal to the tax computed under subsection (a) as if the
 41 nonresident were a resident multiplied by the ratio of modified Kansas
 42 source income to Kansas adjusted gross income.

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

1 income of every corporation doing business within this state or deriving
2 income from sources within this state. Such tax shall consist of a normal
3 tax and a surtax and shall be computed as follows:

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

6 (2) (A) for tax year 2008, the surtax shall be in an amount equal to
7 3.1% of the Kansas taxable income of such corporation in excess of
8 \$50,000;

9 (B) for tax years 2009 and 2010, the surtax shall be in an amount
10 equal to 3.05% of the Kansas taxable income of such corporation in excess
11 of \$50,000; and

12 (C) for tax year 2011, and all tax years thereafter, the surtax shall be
13 in an amount equal to 3% of the Kansas taxable income of such
14 corporation in excess of \$50,000.

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

18 (e) ~~Tax rates provided in this section shall be adjusted pursuant to the~~
19 ~~provisions of K.S.A. 2016 Supp. 79-32,269, and amendments thereto.~~

20 (f) ~~Notwithstanding the provisions of subsections (a) and (b), for tax~~
21 ~~year 2016, and all tax years thereafter, married individuals filing joint~~
22 ~~returns with taxable income of \$12,500 or less, and all other individuals~~
23 ~~with taxable income of \$5,000 or less, shall have a tax liability of zero.~~

24 Sec. 2. K.S.A. 2016 Supp. 79-32,117 is hereby amended to read as
25 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
26 means such individual's federal adjusted gross income for the taxable year,
27 with the modifications specified in this section.

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

29 (i) Interest income less any related expenses directly incurred in the
30 purchase of state or political subdivision obligations, to the extent that the
31 same is not included in federal adjusted gross income, on obligations of
32 any state or political subdivision thereof, but to the extent that interest
33 income on obligations of this state or a political subdivision thereof issued
34 prior to January 1, 1988, is specifically exempt from income tax under the
35 laws of this state authorizing the issuance of such obligations, it shall be
36 excluded from computation of Kansas adjusted gross income whether or
37 not included in federal adjusted gross income. Interest income on
38 obligations of this state or a political subdivision thereof issued after
39 December 31, 1987, shall be excluded from computation of Kansas
40 adjusted gross income whether or not included in federal adjusted gross
41 income.

42 (ii) Taxes on or measured by income or fees or payments in lieu of
43 income taxes imposed by this state or any other taxing jurisdiction to the

1 extent deductible in determining federal adjusted gross income and not
2 credited against federal income tax. This paragraph shall not apply to taxes
3 imposed under the provisions of K.S.A. 79-1107 or 79-1108, and
4 amendments thereto, for privilege tax year 1995, and all such years
5 thereafter.

6 (iii) The federal net operating loss deduction, *except that the federal*
7 *net operating loss deduction shall not be added to an individual's federal*
8 *adjusted gross income for tax years beginning after December 31, 2016.*

9 (iv) Federal income tax refunds received by the taxpayer if the
10 deduction of the taxes being refunded resulted in a tax benefit for Kansas
11 income tax purposes during a prior taxable year. Such refunds shall be
12 included in income in the year actually received regardless of the method
13 of accounting used by the taxpayer. For purposes hereof, a tax benefit shall
14 be deemed to have resulted if the amount of the tax had been deducted in
15 determining income subject to a Kansas income tax for a prior year
16 regardless of the rate of taxation applied in such prior year to the Kansas
17 taxable income, but only that portion of the refund shall be included as
18 bears the same proportion to the total refund received as the federal taxes
19 deducted in the year to which such refund is attributable bears to the total
20 federal income taxes paid for such year. For purposes of the foregoing
21 sentence, federal taxes shall be considered to have been deducted only to
22 the extent such deduction does not reduce Kansas taxable income below
23 zero.

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

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

32 (vii) The amount of any charitable contribution made to the extent the
33 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
34 32,196, and amendments thereto.

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

40 (ix) The amount of any ad valorem taxes and assessments paid and
41 the amount of any costs incurred for habitat management or construction
42 and maintenance of improvements on real property, claimed for deduction
43 in determining federal adjusted gross income, to the extent the same is

1 claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,203,
2 and amendments thereto.

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

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

12 (xii) For taxable years commencing after December 31, 2004,
13 amounts received as withdrawals not in accordance with the provisions of
14 K.S.A. 2016 Supp. 74-50,204, and amendments thereto, if, at the time of
15 contribution to an individual development account, such amounts were
16 subtracted from the federal adjusted gross income pursuant to subsection
17 (c)(xiii), or if such amounts are not already included in the federal adjusted
18 gross income.

19 (xiii) The amount of any expenditures claimed for deduction in
20 determining federal adjusted gross income, to the extent the same is
21 claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.
22 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

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

27 (xv) The amount of any expenditures claimed for deduction in
28 determining federal adjusted gross income, to the extent the same is
29 claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.
30 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233
31 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-
32 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

33 (xvi) The amount of any amortization deduction claimed in
34 determining federal adjusted gross income to the extent the same is
35 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,227, 79-
36 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments
37 thereto.

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

42 (xviii) For taxable years commencing after December 31, 2006, the
43 amount of any ad valorem or property taxes and assessments paid to a state

1 other than Kansas or local government located in a state other than Kansas
2 by a taxpayer who resides in a state other than Kansas, when the law of
3 such state does not allow a resident of Kansas who earns income in such
4 other state to claim a deduction for ad valorem or property taxes or
5 assessments paid to a political subdivision of the state of Kansas in
6 determining taxable income for income tax purposes in such other state, to
7 the extent that such taxes and assessments are claimed as an itemized
8 deduction for federal income tax purposes.

9 (xix) For ~~all~~ taxable years beginning after December 31, 2012, *and*
10 *ending before January 1, 2017*, the amount of any: (1) Loss from business
11 as determined under the federal internal revenue code and reported from
12 schedule C and on line 12 of the taxpayer's form 1040 federal individual
13 income tax return; (2) loss from rental real estate, royalties, partnerships, S
14 corporations, except those with wholly owned subsidiaries subject to the
15 Kansas privilege tax, estates, trusts, residual interest in real estate
16 mortgage investment conduits and net farm rental as determined under the
17 federal internal revenue code and reported from schedule E and on line 17
18 of the taxpayer's form 1040 federal individual income tax return; and (3)
19 farm loss as determined under the federal internal revenue code and
20 reported from schedule F and on line 18 of the taxpayer's form 1040
21 federal income tax return; all to the extent deducted or subtracted in
22 determining the taxpayer's federal adjusted gross income. For purposes of
23 this subsection, references to the federal form 1040 and federal schedule
24 C, schedule E, and schedule F, shall be to such form and schedules as they
25 existed for tax year 2011, and as revised thereafter by the internal revenue
26 service.

27 (xx) For ~~all~~ taxable years beginning after December 31, 2012, *and*
28 *ending before January 1, 2017*, the amount of any deduction for self-
29 employment taxes under section 164(f) of the federal internal revenue
30 code as in effect on January 1, 2012, and amendments thereto, in
31 determining the federal adjusted gross income of an individual taxpayer, to
32 the extent the deduction is attributable to income reported on schedule C,
33 E or F and on line 12, 17 or 18 of the taxpayer's form 1040 federal income
34 tax return.

35 (xxi) For ~~all~~ taxable years beginning after December 31, 2012, *and*
36 *ending before January 1, 2017*, the amount of any deduction for pension,
37 profit sharing, and annuity plans of self-employed individuals under
38 section 62(a)(6) of the federal internal revenue code as in effect on January
39 1, 2012, and amendments thereto, in determining the federal adjusted gross
40 income of an individual taxpayer.

41 (xxii) For ~~all~~ taxable years beginning after December 31, 2012, *and*
42 *ending before January 1, 2017*, the amount of any deduction for health
43 insurance under section 162(l) of the federal internal revenue code as in

1 effect on January 1, 2012, and amendments thereto, in determining the
2 federal adjusted gross income of an individual taxpayer.

3 (xxiii) For ~~all~~ taxable years beginning after December 31, 2012, *and*
4 *ending before January 1, 2017*, the amount of any deduction for domestic
5 production activities under section 199 of the federal internal revenue code
6 as in effect on January 1, 2012, and amendments thereto, in determining
7 the federal adjusted gross income of an individual taxpayer.

8 (xxiv) For taxable years commencing after December 31, 2013, that
9 portion of the amount of any expenditure deduction claimed in
10 determining federal adjusted gross income for expenses paid for medical
11 care of the taxpayer or the taxpayer's spouse or dependents when such
12 expenses were paid or incurred for an abortion, or for a health benefit plan,
13 as defined in K.S.A. 2016 Supp. 65-6731, and amendments thereto, for the
14 purchase of an optional rider for coverage of abortion in accordance with
15 K.S.A. 2016 Supp. 40-2,190, and amendments thereto, to the extent that
16 such taxes and assessments are claimed as an itemized deduction for
17 federal income tax purposes.

18 (xxv) For taxable years commencing after December 31, 2013, that
19 portion of the amount of any expenditure deduction claimed in
20 determining federal adjusted gross income for expenses paid by a taxpayer
21 for health care when such expenses were paid or incurred for abortion
22 coverage, a health benefit plan, as defined in K.S.A. 2016 Supp. 65-6731,
23 and amendments thereto, when such expenses were paid or incurred for
24 abortion coverage or amounts contributed to health savings accounts for
25 such taxpayer's employees for the purchase of an optional rider for
26 coverage of abortion in accordance with K.S.A. 2016 Supp. 40-2,190, and
27 amendments thereto, to the extent that such taxes and assessments are
28 claimed as a deduction for federal income tax purposes.

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

30 (i) Interest or dividend income on obligations or securities of any
31 authority, commission or instrumentality of the United States and its
32 possessions less any related expenses directly incurred in the purchase of
33 such obligations or securities, to the extent included in federal adjusted
34 gross income but exempt from state income taxes under the laws of the
35 United States.

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

39 (iii) The portion of any gain or loss from the sale or other disposition
40 of property having a higher adjusted basis for Kansas income tax purposes
41 than for federal income tax purposes on the date such property was sold or
42 disposed of in a transaction in which gain or loss was recognized for
43 purposes of federal income tax that does not exceed such difference in

1 basis, but if a gain is considered a long-term capital gain for federal
2 income tax purposes, the modification shall be limited to that portion of
3 such gain which is included in federal adjusted gross income.

4 (iv) The amount necessary to prevent the taxation under this act of
5 any annuity or other amount of income or gain which was properly
6 included in income or gain and was taxed under the laws of this state for a
7 taxable year prior to the effective date of this act, as amended, to the
8 taxpayer, or to a decedent by reason of whose death the taxpayer acquired
9 the right to receive the income or gain, or to a trust or estate from which
10 the taxpayer received the income or gain.

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

15 (vi) Accumulation distributions received by a taxpayer as a
16 beneficiary of a trust to the extent that the same are included in federal
17 adjusted gross income.

18 (vii) Amounts received as annuities under the federal civil service
19 retirement system from the civil service retirement and disability fund and
20 other amounts received as retirement benefits in whatever form which
21 were earned for being employed by the federal government or for service
22 in the armed forces of the United States.

23 (viii) Amounts received by retired railroad employees as a
24 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and
25 228c (a)(1) et seq.

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

31 (x) For taxable years beginning after December 31, 1976, the amount
32 of the federal tentative jobs tax credit disallowance under the provisions of
33 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the
34 amount of the targeted jobs tax credit and work incentive credit
35 disallowances under 26 U.S.C. § 280 C.

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

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

42 (xiii) For taxable years beginning after December 31, 2004, amounts
43 contributed to and the amount of income earned on contributions deposited

1 to an individual development account under K.S.A. 2016 Supp. 74-50,201
2 et seq., and amendments thereto.

3 (xiv) For all taxable years commencing after December 31, 1996, that
4 portion of any income of a bank organized under the laws of this state or
5 any other state, a national banking association organized under the laws of
6 the United States, an association organized under the savings and loan
7 code of this state or any other state, or a federal savings association
8 organized under the laws of the United States, for which an election as an
9 S corporation under subchapter S of the federal internal revenue code is in
10 effect, which accrues to the taxpayer who is a stockholder of such
11 corporation and which is not distributed to the stockholders as dividends of
12 the corporation. For ~~all~~ taxable years beginning after December 31, 2012,
13 *and ending before January 1, 2017*, the amount of modification under this
14 subsection shall exclude the portion of income or loss reported on schedule
15 E and included on line 17 of the taxpayer's form 1040 federal individual
16 income tax return.

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

30 (xvi) For all taxable years beginning after December 31, 2004,
31 amounts received by taxpayers who are or were members of the armed
32 forces of the United States, including service in the Kansas army and air
33 national guard, as a recruitment, sign up or retention bonus received by
34 such taxpayer as an incentive to join, enlist or remain in the armed services
35 of the United States, including service in the Kansas army and air national
36 guard, and amounts received for repayment of educational or student loans
37 incurred by or obligated to such taxpayer and received by such taxpayer as
38 a result of such taxpayer's service in the armed forces of the United States,
39 including service in the Kansas army and air national guard.

40 (xvii) For all taxable years beginning after December 31, 2004,
41 amounts received by taxpayers who are eligible members of the Kansas
42 army and air national guard as a reimbursement pursuant to K.S.A. 48-
43 281, and amendments thereto, and amounts received for death benefits

1 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section
2 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and
3 amendments thereto, to the extent that such death benefits are included in
4 federal adjusted gross income of the taxpayer.

5 (xviii) For the taxable year beginning after December 31, 2006,
6 amounts received as benefits under the federal social security act which
7 are included in federal adjusted gross income of a taxpayer with federal
8 adjusted gross income of \$50,000 or less, whether such taxpayer's filing
9 status is single, head of household, married filing separate or married filing
10 jointly; and for all taxable years beginning after December 31, 2007,
11 amounts received as benefits under the federal social security act which
12 are included in federal adjusted gross income of a taxpayer with federal
13 adjusted gross income of \$75,000 or less, whether such taxpayer's filing
14 status is single, head of household, married filing separate or married filing
15 jointly.

16 (xix) Amounts received by retired employees of Washburn university
17 as retirement and pension benefits under the university's retirement plan.

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

38 (xxi) For all taxable years beginning after December 31, 2013,
39 amounts equal to the unreimbursed travel, lodging and medical
40 expenditures directly incurred by a taxpayer while living, or a dependent
41 of the taxpayer while living, for the donation of one or more human organs
42 of the taxpayer, or a dependent of the taxpayer, to another person for
43 human organ transplantation. The expenses may be claimed as a

1 subtraction modification provided for in this section to the extent the
2 expenses are not already subtracted from the taxpayer's federal adjusted
3 gross income. In no circumstances shall the subtraction modification
4 provided for in this section for any individual, or a dependent, exceed
5 \$5,000. As used in this section, "human organ" means all or part of a liver,
6 pancreas, kidney, intestine, lung or bone marrow. The provisions of this
7 paragraph shall take effect on the day the secretary of revenue certifies to
8 the director of the budget that the cost for the department of revenue of
9 modifications to the automated tax system for the purpose of
10 implementing this paragraph will not exceed \$20,000.

11 (xxii) For ~~all~~ taxable years beginning after December 31, 2012, *and*
12 *ending before January 1, 2017*, the amount of net gain from the sale of: (1)
13 Cattle and horses, regardless of age, held by the taxpayer for draft,
14 breeding, dairy or sporting purposes, and held by such taxpayer for 24
15 months or more from the date of acquisition; and (2) other livestock,
16 regardless of age, held by the taxpayer for draft, breeding, dairy or
17 sporting purposes, and held by such taxpayer for 12 months or more from
18 the date of acquisition. The subtraction from federal adjusted gross income
19 shall be limited to the amount of the additions recognized under the
20 provisions of subsection (b)(xix) attributable to the business in which the
21 livestock sold had been used. As used in this paragraph, the term
22 "livestock" shall not include poultry.

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

28 (xxiv) For ~~all~~ taxable years beginning after December 31, 2013, *and*
29 *ending before January 1, 2017*, the net gain from the sale from Christmas
30 trees grown in Kansas and held by the taxpayer for six years or more.

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

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

40 (f) *Any taxpayer who is in compliance with the provisions of this*
41 *section, as they appear on June 30, 2017, shall not be assessed penalties*
42 *and interest arising from the underpayment of taxes due to changes to this*
43 *section that became law on July 1, 2017, so long as such underpayment*

1 *occurred prior to July 1, 2017, and is rectified on or before April 15, 2018.*

2 Sec. 3. K.S.A. 2016 Supp. 79-32,119 is hereby amended to read as
3 follows: 79-32,119. The Kansas standard deduction of an individual,
4 including a husband and wife who are either both residents or who file a
5 joint return as if both were residents, shall be equal to the sum of the
6 standard deduction amount allowed pursuant to this section, and the
7 additional standard deduction amount allowed pursuant to this section for
8 each such deduction allowable to such individual or to such husband and
9 wife under the federal internal revenue code. For tax year 1998 through tax
10 year 2012, the standard deduction amount shall be as follows: Single
11 individual filing status, \$3,000; married filing status, \$6,000; and head of
12 household filing status, \$4,500. For tax year 1998, and all tax years
13 thereafter, the additional standard deduction amount shall be as follows:
14 Single individual and head of household filing status, \$850; and married
15 filing status, \$700. For tax year 2013, ~~and all tax years thereafter~~ *through*
16 *tax year 2017*, the standard deduction amount of an individual, including
17 husband and wife who are either both residents or who file a joint return as
18 if both were residents, shall be as follows: Single individual filing status,
19 \$3,000; married filing status, \$7,500; and head of household filing status,
20 \$5,500. *For tax year 2018, and all tax years thereafter, the standard*
21 *deduction amount of an individual, including husband and wife who are*
22 *either both residents or who file a joint return as if both were residents,*
23 *shall be as follows: Single individual filing status, \$7,500; married filing*
24 *status, \$15,000; and head of household filing status, \$11,000.* For purposes
25 of the foregoing, the federal standard deduction allowable to a husband
26 and wife filing separate Kansas income tax returns shall be determined on
27 the basis that separate federal returns were filed, and the federal standard
28 deduction of a husband and wife filing a joint Kansas income tax return
29 shall be determined on the basis that a joint federal income tax return was
30 filed.

31 Sec. 4. K.S.A. 2016 Supp. 79-32,120 is hereby amended to read as
32 follows: 79-32,120. (a) (1) If federal taxable income of an individual is
33 determined by itemizing deductions from such individual's federal
34 adjusted gross income, such individual may elect to deduct the Kansas
35 itemized deduction in lieu of the Kansas standard deduction.

36 (2) For the tax year commencing on January 1, 2013, the Kansas
37 itemized deduction of an individual means 70% of the total amount of
38 deductions from federal adjusted gross income, other than federal
39 deductions for personal exemptions, as provided in the federal internal
40 revenue code with the modifications specified in this section.

41 (3) For the tax year commencing on January 1, 2014, the Kansas
42 itemized deduction of an individual means 65% of the total amount of
43 deductions from federal adjusted gross income, other than federal

1 deductions for personal exemptions, as provided in the federal internal
2 revenue code with the modifications specified in this section.

3 (4) For the tax years commencing on and after January 1, 2015, *and*
4 *ending before January 1, 2018*, the Kansas itemized deduction of an
5 individual means the following deductions from federal adjusted gross
6 income, other than federal deductions for personal exemptions, as
7 provided in the federal internal revenue code with the modifications
8 specified in this section: (A) 100% of charitable contributions that qualify
9 as charitable contributions allowable as deductions in section 170 of the
10 federal internal revenue code; (B) 50% of the amount of qualified
11 residence interest as provided in section 163(h) of the federal internal
12 revenue code; and (C) 50% of the amount of taxes on real and personal
13 property as provided in section 164(a) of the federal internal revenue code.

14 (5) *For the tax years commencing on and after January 1, 2018, the*
15 *Kansas itemized deduction of an individual means the following*
16 *deductions from federal adjusted gross income, other than federal*
17 *deductions for personal exemptions, as provided in the federal internal*
18 *revenue code with the modifications specified in this section: (A) 100% of*
19 *charitable contributions that qualify as charitable contributions allowable*
20 *as deductions in section 170 of the federal internal revenue code; (B)*
21 *100% of expenses for medical care allowable as deductions in section 213*
22 *of the federal internal revenue code; (C) 50% of the amount of qualified*
23 *residence interest as provided in section 163(h) of the federal internal*
24 *revenue code; and (D) 50% of the amount of taxes on real and personal*
25 *property as provided in section 164(a) of the federal internal revenue*
26 *code.*

27 (b) The total amount of deductions from federal adjusted gross
28 income shall be reduced by the total amount of income taxes imposed by
29 or paid to this state or any other taxing jurisdiction to the extent that the
30 same are deducted in determining the federal itemized deductions and by
31 the amount of all depreciation deductions claimed for any real or tangible
32 personal property upon which the deduction allowed by K.S.A. 2016
33 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250,
34 79-32,255 or 79-32,256, and amendments thereto, is or has been claimed.

35 Sec. 5. K.S.A. 2016 Supp. 79-32,138 is hereby amended to read as
36 follows: 79-32,138. (a) Kansas taxable income of a corporation taxable
37 under this act shall be the corporation's federal taxable income for the
38 taxable year with the modifications specified in this section.

39 (b) There shall be added to federal taxable income: (i) The same
40 modifications as are set forth in ~~subsection (b)~~ of K.S.A. 79-32,117(b), and
41 amendments thereto, with respect to resident individuals, except
42 subsections (b)(xix), (b)(xx), (b)(xxi), (b)(xxii) and (b)(xxiii);

43 (ii) the amount of all depreciation deductions claimed for any

1 property upon which the deduction allowed by K.S.A. 2016 Supp. 79-
2 32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-
3 32,255 or 79-32,256, and amendments thereto, is claimed-;

4 (iii) the amount of any charitable contribution deduction claimed for
5 any contribution or gift to or for the use of any racially segregated
6 educational institution-;

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

16 (v) the amount of any charitable contribution deduction claimed for
17 any contribution or gift made to a scholarship granting organization to the
18 extent the same is claimed as the basis for the credit allowed pursuant to
19 K.S.A. 2016 Supp. 72-99a07, and amendments thereto; *and*

20 (vi) *the federal net operating loss deduction.*

21 (c) There shall be subtracted from federal taxable income: (i) The
22 same modifications as are set forth in ~~subsection (e)~~ of K.S.A. 79-
23 32,117(c), and amendments thereto, with respect to resident individuals,
24 except subsection (c)(xx)-;

25 (ii) the federal income tax liability for any taxable year commencing
26 prior to December 31, 1971, for which a Kansas return was filed after
27 reduction for all credits thereon, except credits for payments on estimates
28 of federal income tax, credits for gasoline and lubricating oil tax, and for
29 foreign tax credits if, on the Kansas income tax return for such prior year,
30 the federal income tax deduction was computed on the basis of the federal
31 income tax paid in such prior year, rather than as accrued. Notwithstanding
32 the foregoing, the deduction for federal income tax liability for any year
33 shall not exceed that portion of the total federal income tax liability for
34 such year which bears the same ratio to the total federal income tax
35 liability for such year as the Kansas taxable income, as computed before
36 any deductions for federal income taxes and after application of
37 subsections (d) and (e) of this section as existing for such year, bears to the
38 federal taxable income for the same year-;

39 (iii) an amount for the amortization deduction allowed pursuant to
40 K.S.A. 2016 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-
41 32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto-;

42 (iv) for all taxable years commencing after December 31, 1987, the
43 amount included in federal taxable income pursuant to the provisions of

1 section 78 of the internal revenue code; *and*

2 (v) for all taxable years commencing after December 31, 1987, 80%
3 of dividends from corporations incorporated outside of the United States
4 or the District of Columbia which are included in federal taxable income.

5 (d) If any corporation derives all of its income from sources within
6 Kansas in any taxable year commencing after December 31, 1979, its
7 Kansas taxable income shall be the sum resulting after application of
8 subsections (a) through (c) hereof. Otherwise, such corporation's Kansas
9 taxable income in any such taxable year, after excluding any refunds of
10 federal income tax and before the deduction of federal income taxes
11 provided by subsection (c)(ii) shall be allocated as provided in K.S.A. 79-
12 3271 to K.S.A. 79-3293, inclusive, and amendments thereto, plus any
13 refund of federal income tax as determined under ~~paragraph (iv) of~~
14 ~~subsection (b) of K.S.A. 79-32,117(b)(iv)~~, and amendments thereto, and
15 minus the deduction for federal income taxes as provided by subsection (c)
16 (ii) shall be such corporation's Kansas taxable income.

17 (e) A corporation may make an election with respect to its first
18 taxable year commencing after December 31, 1982, whereby no addition
19 modifications as provided for in subsection (b)(ii) ~~of K.S.A. 79-32,138,~~
20 ~~and amendments thereto~~, and subtraction modifications as provided for in
21 subsection (c)(iii) ~~of K.S.A. 79-32,138, and amendments thereto~~, as those
22 subsections existed prior to their amendment by this act, shall be required
23 to be made for such taxable year.

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

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

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

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

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

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

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

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

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

6 (i) "Delivery charges" means charges by the seller of personal
7 property or services for preparation and delivery to a location designated
8 by the purchaser of personal property or services including, but not limited to,
9 transportation, shipping, postage, handling, crating and packing.
10 "Delivery charges" shall not include charges for delivery of direct mail if
11 the charges are separately stated on an invoice or similar billing document
12 given to the purchaser.

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

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

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

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

1 (n) "Food and food ingredients" means substances, whether in liquid,
2 concentrated, solid, frozen, dried or dehydrated form, that are sold for
3 ingestion or chewing by humans and are consumed for their taste or
4 nutritional value. "Food and food ingredients" does not include alcoholic
5 beverages ~~or~~, tobacco, *candy, dietary supplements, soft drinks or food sold*
6 *through vending machines. "Food and food ingredients" does include*
7 *bottled water.*

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

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

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

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

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

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

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

40 (6) Feed for animals, fowl and aquatic plants and animals, the
41 primary purpose of which is use in agriculture or aquaculture, as defined in
42 K.S.A. 47-1901, and amendments thereto, the production of food for
43 human consumption, the production of animal, dairy, poultry or aquatic

1 plant and animal products, fiber, fur, or the production of offspring for use
2 for any such purpose or purposes.

3 (q) "Isolated or occasional sale" means the nonrecurring sale of
4 tangible personal property, or services taxable hereunder by a person not
5 engaged at the time of such sale in the business of selling such property or
6 services. Any religious organization which makes a nonrecurring sale of
7 tangible personal property acquired for the purpose of resale shall be
8 deemed to be not engaged at the time of such sale in the business of selling
9 such property. Such term shall include: (1) Any sale by a bank, savings and
10 loan institution, credit union or any finance company licensed under the
11 provisions of the Kansas uniform consumer credit code of tangible
12 personal property which has been repossessed by any such entity; and (2)
13 any sale of tangible personal property made by an auctioneer or agent on
14 behalf of not more than two principals or households if such sale is
15 nonrecurring and any such principal or household is not engaged at the
16 time of such sale in the business of selling tangible personal property.

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

21 (1) "Lease or rental" does not include: (A) A transfer of possession or
22 control of property under a security agreement or deferred payment plan
23 that requires the transfer of title upon completion of the required
24 payments;

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

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

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

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

43 (4) This definition will be applied only prospectively from the

1 effective date of this act and will have no retroactive impact on existing
2 leases or rentals.

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

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

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

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

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

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

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

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

36 (aa) "Political subdivision" means any municipality, agency or
37 subdivision of the state which is, or shall hereafter be, authorized to levy
38 taxes upon tangible property within the state or which certifies a levy to a
39 municipality, agency or subdivision of the state which is, or shall hereafter
40 be, authorized to levy taxes upon tangible property within the state. Such
41 term also shall include any public building commission, housing, airport,
42 port, metropolitan transit or similar authority established pursuant to law
43 and the horsethief reservoir benefit district established pursuant to K.S.A.

1 82a-2201, and amendments thereto.

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

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

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

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

40 (B) electricity, gas and water; and

41 (C) petroleum products, lubricants, chemicals, solvents, reagents and
42 catalysts.

43 (ee) "Purchase price" applies to the measure subject to use tax and

1 has the same meaning as sales price.

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

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

7 (hh) "Registered under this agreement" means registration by a seller
8 with the member states under the central registration system provided in
9 article IV of the agreement.

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

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

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

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

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

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

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

39 (D) delivery charges; and

40 (E) installation charges.

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

43 (A) The seller actually receives consideration from a party other than

1 the purchaser and the consideration is directly related to a price reduction
2 or discount on the sale;

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

5 (C) the amount of the consideration attributable to the sale is fixed
6 and determinable by the seller at the time of the sale of the item to the
7 purchaser; and

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

9 (i) The purchaser presents a coupon, certificate or other
10 documentation to the seller to claim a price reduction or discount where
11 the coupon, certificate or documentation is authorized, distributed or
12 granted by a third party with the understanding that the third party will
13 reimburse any seller to whom the coupon, certificate or documentation is
14 presented;

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

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

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

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

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

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

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

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

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

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

42 (oo) "Sourcing rules" means the rules set forth in K.S.A. 2016 Supp.
43 79-3670 through 79-3673, K.S.A. 12-191 and 12-191a, and amendments

1 thereto, which shall apply to identify and determine the state and local
2 taxing jurisdiction sales or use taxes to pay, or collect and remit on a
3 particular retail sale.

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

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

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

12 (ss) "Entity-based exemption" means an exemption based on who
13 purchases the product or who sells the product. An exemption that is
14 available to all individuals shall not be considered an entity-based
15 exemption.

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

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

28 (vv) "Conference bridging service" means an ancillary service that
29 links two or more participants of an audio or video conference call and
30 may include the provision of a telephone number. "Conference bridging
31 service" does not include the telecommunications services used to reach
32 the conference bridge.

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

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

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

43 (zz) "Voice mail service" means an ancillary service that enables the

1 customer to store, send or receive recorded messages. "Voice mail service"
2 does not include any vertical services that the customer may be required to
3 have in order to utilize the voice mail service.

4 (aaa) "Telecommunications service" means the electronic
5 transmission, conveyance or routing of voice, data, audio, video or any
6 other information or signals to a point, or between or among points. The
7 term "telecommunications service" includes such transmission,
8 conveyance or routing in which computer processing applications are used
9 to act on the form, code or protocol of the content for purposes of
10 transmissions, conveyance or routing without regard to whether such
11 service is referred to as voice over internet protocol services or is
12 classified by the federal communications commission as enhanced or value
13 added. "Telecommunications service" does not include:

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

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

21 (3) tangible personal property;

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

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

24 (6) internet access service;

25 (7) radio and television audio and video programming services,
26 regardless of the medium, including the furnishing of transmission,
27 conveyance and routing of such services by the programming service
28 provider. Radio and television audio and video programming services shall
29 include, but not be limited to, cable service as defined in 47 U.S.C. §
30 522(6) and audio and video programming services delivered by
31 commercial mobile radio service providers, as defined in 47 C.F.R. § 20.3;

32 (8) ancillary services; or

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

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

40 (ccc) "900 service" means an inbound toll telecommunications
41 service purchased by a subscriber that allows the subscriber's customers to
42 call in to the subscriber's prerecorded announcement or live service. "900
43 service" does not include the charge for collection services provided by the

1 seller of the telecommunications services to the subscriber, or service or
2 product sold by the subscriber to the subscriber's customer. The service is
3 typically marketed under the name 900 service, and any subsequent
4 numbers designated by the federal communications commission.

5 (ddd) "Value-added non-voice data service" means a service that
6 otherwise meets the definition of telecommunications services in which
7 computer processing applications are used to act on the form, content,
8 code or protocol of the information or data primarily for a purpose other
9 than transmission, conveyance or routing.

10 (eee) "International" means a telecommunications service that
11 originates or terminates in the United States and terminates or originates
12 outside the United States, respectively. United States includes the District
13 of Columbia or a U.S. territory or possession.

14 (fff) "Interstate" means a telecommunications service that originates
15 in one United States state, or a United States territory or possession, and
16 terminates in a different United States state or a United States territory or
17 possession.

18 (ggg) "Intrastate" means a telecommunications service that originates
19 in one United States state or a United States territory or possession, and
20 terminates in the same United States state or a United States territory or
21 possession.

22 (hhh) *"Bottled water" means water that is placed in a safety sealed*
23 *container or package for human consumption. "Bottled water" is calorie*
24 *free and does not contain sweeteners or other additives, except that it may*
25 *contain:*

26 (1) *Antimicrobial agents;*

27 (2) *fluoride;*

28 (3) *carbonation;*

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

30 (5) *oxygen;*

31 (6) *preservatives; and*

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

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

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

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

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

- 1 (1) *Food sold in a heated state or heated by the seller;*
2 (2) *two or more food ingredients mixed or combined by the seller for*
3 *sale as a single item; or*
4 (3) *food sold with eating utensils provided by the seller, including*
5 *plates, knives, forks, spoons, glasses, cups, napkins or straws. A plate does*
6 *not include a container or packaging used to transport the food.*

7 *"Prepared food" does not include food that is only cut, repackaged or*
8 *pasteurized by the seller, and eggs, fish, meat, poultry and foods*
9 *containing these raw animal foods requiring cooking by the consumer as*
10 *recommended by the food and drug administration in chapter 3, part*
11 *401.11 of its food code so as to prevent food borne illnesses.*

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

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

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

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

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

1 internal revenue code of 1986, as in effect on January 1, 2001;

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

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

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

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

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

36 (h) the gross receipts from the service of renting or leasing of tangible
37 personal property except such tax shall not apply to the renting or leasing
38 of machinery, equipment or other personal property owned by a city and
39 purchased from the proceeds of industrial revenue bonds issued prior to
40 July 1, 1973, in accordance with the provisions of K.S.A. 12-1740 through
41 12-1749, and amendments thereto, and any city or lessee renting or leasing
42 such machinery, equipment or other personal property purchased with the
43 proceeds of such bonds who shall have paid a tax under the provisions of

1 this section upon sales made prior to July 1, 1973, shall be entitled to a
2 refund from the sales tax refund fund of all taxes paid thereon;

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

6 (j) the gross receipts from the rendering of the services of washing
7 and washing and waxing of vehicles;

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

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

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

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

36 (n) the gross receipts received from dues charged by public and
37 private clubs, drinking establishments, organizations and businesses,
38 payment of which entitles a member to the use of facilities for recreation
39 or entertainment, but such tax shall not be levied and collected upon the
40 gross receipts received from: (1) Dues charged by any organization exempt
41 from property taxation pursuant to K.S.A. 79-201 *Eighth* and *Ninth*, and
42 amendments thereto; and (2) sales of memberships in a nonprofit
43 organization which is exempt from federal income taxation pursuant to

1 section 501(c)(3) of the federal internal revenue code of 1986, and whose
2 purpose is to support the operation of a nonprofit zoo;

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

38 (p) the gross receipts received for the service of installing or applying
39 tangible personal property which when installed or applied is not being
40 held for sale in the regular course of business, and whether or not such
41 tangible personal property when installed or applied remains tangible
42 personal property or becomes a part of real estate, except that no tax shall
43 be imposed upon the service of installing or applying tangible personal

1 property in connection with the original construction of a building or
2 facility, the original construction, reconstruction, restoration, remodeling,
3 renovation, repair or replacement of a residence or the construction,
4 reconstruction, restoration, replacement or repair of a bridge or highway.

5 For the purposes of this subsection:

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

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

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

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

28 (5) "utility structure" shall mean transmission and distribution lines
29 owned by an independent transmission company or cooperative, the
30 Kansas electric transmission authority or natural gas or electric public
31 utility; and

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

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

43 (r) the gross receipts from fees or charges made under service or

1 maintenance agreement contracts for services, charges for the providing of
2 which are taxable under the provisions of subsection (p) or (q);

3 (s) on and after January 1, 2005, the gross receipts received from the
4 sale of prewritten computer software and the sale of the services of
5 modifying, altering, updating or maintaining prewritten computer
6 software, whether the prewritten computer software is installed or
7 delivered electronically by tangible storage media physically transferred to
8 the purchaser or by load and leave;

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

10 (u) the gross receipts received from the sale of prepaid calling service
11 and prepaid wireless calling service as defined in K.S.A. 2016 Supp. 79-
12 3673, and amendments thereto;

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

16 (w) all sales of charitable raffle tickets in accordance with K.S.A.
17 2016 Supp. 75-5171 et seq., and amendments thereto, shall be exempt
18 from taxes imposed pursuant to this section; *and*

19 (x) *commencing on January 1, 2019, and thereafter, the gross*
20 *receipts from the sale of food and food ingredients shall be taxed at the*
21 *rate of 5%. The provisions of this subsection shall not apply to prepared*
22 *food, unless sold without eating utensils provided by the seller and*
23 *described below:*

24 (1) *Food sold by a seller whose proper primary NAICS classification*
25 *is manufacturing in sector 311, except subsector 3118 (bakeries);*

26 (2) (A) *food sold in an unheated state by weight or volume as a single*
27 *item; or*

28 (B) *only meat or seafood sold in an unheated state by weight or*
29 *volume as a single item;*

30 (3) *bakery items, including bread, rolls, buns, biscuits, bagels,*
31 *croissants, pastries, donuts, danish, cakes, tortes, pies, tarts, muffins, bars,*
32 *cookies and tortillas;*

33 (4) *food sold that ordinarily requires additional cooking, as opposed*
34 *to just reheating, by the consumer prior to consumption; or*

35 (5) *bottled water that is not otherwise sold as prepared food.*

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

1 (b) A refund fund, designated as "sales tax refund fund" not to exceed
2 \$100,000 shall be set apart and maintained by the director from sales tax
3 collections and estimated tax collections and held by the state treasurer for
4 prompt payment of all sales tax refunds. Such fund shall be in such
5 amount, within the limit set by this section, as the director shall determine
6 is necessary to meet current refunding requirements under this act. In the
7 event such fund as established by this section is, at any time, insufficient to
8 provide for the payment of refunds due claimants thereof, the director shall
9 certify the amount of additional funds required to the director of accounts
10 and reports who shall promptly transfer the required amount from the state
11 general fund to the sales tax refund fund, and notify the state treasurer,
12 who shall make proper entry in the records.

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

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

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

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

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

38 (6) On July 1, 2016, ~~and thereafter~~, the state treasurer shall credit
39 16.154% of the revenue collected and received from the tax imposed by
40 K.S.A. 79-3603, and amendments thereto, at the rate of 6.5%, and
41 deposited as provided by subsection (a), exclusive of amounts credited
42 pursuant to subsection (d), in the state highway fund.

43 (7) *On January 1, 2019, and thereafter, the state treasurer shall*

1 *credit 16.154% of the revenue collected and received from the tax imposed*
2 *by K.S.A. 79-3603, and amendments thereto, at the rates of 6.5% and 5%,*
3 *and deposited as provided by subsection (a), exclusive of amounts credited*
4 *pursuant to subsection (d), in the state highway fund.*

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

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

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

8 Sec. 9. K.S.A. 2016 Supp. 79-3703 is hereby amended to read as
9 follows: 79-3703. There is hereby levied and there shall be collected from
10 every person in this state a tax or excise for the privilege of using, storing,
11 or consuming within this state any article of tangible personal property.
12 Such tax shall be levied and collected in an amount equal to the
13 consideration paid by the taxpayer multiplied by the rate of 6.5%, *except*
14 *that commencing on January 1, 2019, such rate shall be 5% on food and*
15 *food ingredients as provided by K.S.A. 79-3603(x), and amendments*
16 *thereto*. Within a redevelopment district established pursuant to K.S.A. 74-
17 8921, and amendments thereto, there is hereby levied and there shall be
18 collected and paid an additional tax of 2% until the earlier of: (1) The date
19 the bonds issued to finance or refinance the redevelopment project
20 undertaken in the district have been paid in full; or (2) the final scheduled
21 maturity of the first series of bonds issued to finance the redevelopment
22 project. All property purchased or leased within or without this state and
23 subsequently used, stored or consumed in this state shall be subject to the
24 compensating tax if the same property or transaction would have been
25 subject to the Kansas retailers' sales tax had the transaction been wholly
26 within this state.

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

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

42 (c) (1) On July 1, 2010, the state treasurer shall credit 11.427% of the
43 revenue collected and received from the tax imposed by K.S.A. 79-3703,

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

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

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

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

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

24 (6) On July 1, 2016, ~~and thereafter~~, the state treasurer shall credit
25 16.154% of the revenue collected and received from the tax imposed by
26 K.S.A. 79-3703, and amendments thereto, at the rate of 6.5%, and
27 deposited as provided by subsection (a), exclusive of amounts credited
28 pursuant to subsection (d), in the state highway fund.

29 (7) *On January 1, 2019, and thereafter, the state treasurer shall*
30 *credit 16.154% of the revenue collected and received from the tax imposed*
31 *by K.S.A. 79-3703, and amendments thereto, at the rates of 6.5% and 5%,*
32 *and deposited as provided by subsection (a), exclusive of amounts credited*
33 *pursuant to subsection (d), in the state highway fund.*

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

1 is sufficient to retire the special obligation bonds issued for the purpose of
2 financing all or a portion of the costs of such redevelopment project.

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

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

36 Sec. 11. K.S.A. 2016 Supp. 79-32,110, 79-32,117, 79-32,119, 79-
37 32,120, 79-32,138, 79-32,269, 79-3602, 79-3603, 79-3620, 79-3703 and
38 79-3710 are hereby repealed.

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