

HOUSE BILL No. 2358

By Committee on Taxation

2-11

1 AN ACT concerning sales taxation; relating to exemptions; defining
2 nonprofit integrated community care organizations and providing an
3 exemption therefor; amending K.S.A. 79-3602 and 79-3606 and
4 repealing the existing sections.

5
6 *Be it enacted by the Legislature of the State of Kansas:*

7 Section 1. K.S.A. 79-3602 is hereby amended to read as follows: 79-
8 3602. Except as otherwise provided, as used in the Kansas retailers' sales
9 tax act:

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

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

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

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

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

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

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

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

32 (i) "Delivery charges" means charges by the seller of personal
33 property or services for preparation and delivery to a location designated
34 by the purchaser of personal property or services including, but not limited
35 to, transportation, shipping, postage, handling, crating and packing.
36 Delivery charges shall not include charges for delivery of direct mail if the

1 charges are separately stated on an invoice or similar billing document
2 given to the purchaser.

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

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

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

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

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

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

1 of property returned by the purchaser when the full sale price thereof,
2 including the tax collected, is refunded in cash or by credit; and (2) an
3 amount equal to the allowance given for the trade-in of property.

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

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

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

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

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

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

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

34 (q) "Isolated or occasional sale" means the nonrecurring sale of
35 tangible personal property, or services taxable hereunder by a person not
36 engaged at the time of such sale in the business of selling such property or
37 services. Any religious organization which makes a nonrecurring sale of
38 tangible personal property acquired for the purpose of resale shall be
39 deemed to be not engaged at the time of such sale in the business of selling
40 such property. Such term shall include:

41 (1) Any sale by a bank, savings and loan institution, credit union or
42 any finance company licensed under the provisions of the Kansas uniform
43 consumer credit code of tangible personal property which has been

1 repossessed by any such entity; and

2 (2) any sale of tangible personal property made by an auctioneer or
3 agent on behalf of not more than two principals or households if such sale
4 is nonrecurring and any such principal or household is not engaged at the
5 time of such sale in the business of selling tangible personal property.

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

10 (1) Lease or rental does not include:

11 (A) A transfer of possession or control of property under a security
12 agreement or deferred payment plan that requires the transfer of title upon
13 completion of the required payments;

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

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

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

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

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

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

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

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

43 (v) "Model 2 seller" means a seller that has selected a CAS to

1 perform part of its sales and use tax functions, but retains responsibility for
2 remitting the tax.

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

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

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

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

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

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

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

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

13 (dd) "Property which is consumed" means tangible personal property
14 which is essential or necessary to and which is used in the actual process
15 of and consumed, depleted or dissipated within one year in:

16 (1) The production, manufacture, processing, mining, drilling,
17 refining or compounding of tangible personal property;

18 (2) the providing of services;

19 (3) the irrigation of crops, for sale in the regular course of business;
20 or

21 (4) the storage or processing of grain by a public grain warehouse or
22 other grain storage facility, and which is not reusable for such purpose.
23 The following is a listing of tangible personal property, included by way of
24 illustration but not of limitation, which qualifies as property which is
25 consumed:

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

31 (B) electricity, gas and water; and

32 (C) petroleum products, lubricants, chemicals, solvents, reagents and
33 catalysts.

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

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

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

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

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

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

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

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

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

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

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

30 (D) delivery charges; and

31 (E) installation charges.

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

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

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

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

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

43 (i) The purchaser presents a coupon, certificate or other

1 documentation to the seller to claim a price reduction or discount where
2 the coupon, certificate or documentation is authorized, distributed or
3 granted by a third party with the understanding that the third party will
4 reimburse any seller to whom the coupon, certificate or documentation is
5 presented;

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

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

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

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

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

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

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

26 (E) commencing on July 1, 2018, and ending on June 30, 2021, cash
27 rebates granted by a manufacturer to a purchaser or lessee of a new motor
28 vehicle if paid directly to the retailer as a result of the original sale.

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

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

33 (oo) "Sourcing rules" means the rules set forth in K.S.A. *12-191, 12-*
34 *191a and 79-3670 through 79-3673, ~~K.S.A. 12-191 and 12-191a,~~* and
35 amendments thereto, which shall apply to identify and determine the state
36 and local taxing jurisdiction sales or use taxes to pay, or collect and remit
37 on a particular retail sale.

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

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

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

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

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

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

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

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

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

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

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

38 (aaa) "Telecommunications service" means the electronic
39 transmission, conveyance or routing of voice, data, audio, video or any
40 other information or signals to a point, or between or among points. The
41 term telecommunications service includes such transmission, conveyance
42 or routing in which computer processing applications are used to act on the
43 form, code or protocol of the content for purposes of transmissions,

1 conveyance or routing without regard to whether such service is referred to
2 as voice over internet protocol services or is classified by the federal
3 communications commission as enhanced or value added.

4 Telecommunications service does not include:

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

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

12 (3) tangible personal property;

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

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

15 (6) internet access service;

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

23 (8) ancillary services; or

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

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

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

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

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

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

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

13 (hhh) "Cereal malt beverage" shall have the same meaning as such
14 term is defined in K.S.A. 41-2701, and amendments thereto, except that
15 for the purposes of the Kansas retailers sales tax act and for no other
16 purpose, such term shall include beer containing not more than 6% alcohol
17 by volume when such beer is sold by a retailer licensed under the Kansas
18 cereal malt beverage act.

19 (iii) *"Nonprofit integrated community care organization" means an*
20 *entity that is:*

21 (1) *Exempt from federal income taxation pursuant to section 501(c)*
22 *(3) of the federal internal revenue code of 1986;*

23 (2) *certified to participate in the medicare program as a hospice*
24 *under 42 C.F.R. § 418 et seq. and focused on providing care to the aging*
25 *and indigent population at home and through inpatient care, adult daycare*
26 *or assisted living facilities, and related facilities and services across*
27 *multiple counties; and*

28 (3) *approved by the Kansas department for aging and disability*
29 *services as an organization providing services under the program of all-*
30 *inclusive care for the elderly as defined in 42 U.S.C. § 1396u-4 and*
31 *regulations implementing such section.*

32 Sec. 2. K.S.A. 79-3606 is hereby amended to read as follows: 79-
33 3606. The following shall be exempt from the tax imposed by this act:

34 (a) All sales of motor-vehicle fuel or other articles upon which a sales
35 or excise tax has been paid, not subject to refund, under the laws of this
36 state except cigarettes and electronic cigarettes as defined by K.S.A. 79-
37 3301, and amendments thereto, including consumable material for such
38 electronic cigarettes, cereal malt beverages and malt products as defined
39 by K.S.A. 79-3817, and amendments thereto, including wort, liquid malt,
40 malt syrup and malt extract, that is not subject to taxation under the
41 provisions of K.S.A. 79-41a02, and amendments thereto, motor vehicles
42 taxed pursuant to K.S.A. 79-5117, and amendments thereto, tires taxed
43 pursuant to K.S.A. 65-3424d, and amendments thereto, drycleaning and

1 laundry services taxed pursuant to K.S.A. 65-34,150, and amendments
2 thereto, and gross receipts from regulated sports contests taxed pursuant to
3 the Kansas professional regulated sports act, and amendments thereto;

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

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

29 (d) all sales of tangible personal property or services purchased by a
30 contractor for the purpose of constructing, equipping, reconstructing,
31 maintaining, repairing, enlarging, furnishing or remodeling facilities for
32 any public or private nonprofit hospital or public hospital authority, public
33 or private elementary or secondary school, a public or private nonprofit
34 educational institution, state correctional institution including a privately
35 constructed correctional institution contracted for state use and ownership,
36 that would be exempt from taxation under the provisions of this act if
37 purchased directly by such hospital or public hospital authority, school,
38 educational institution or a state correctional institution; and all sales of
39 tangible personal property or services purchased by a contractor for the
40 purpose of constructing, equipping, reconstructing, maintaining, repairing,
41 enlarging, furnishing or remodeling facilities for any political subdivision
42 of the state or district described in subsection (s), the total cost of which is
43 paid from funds of such political subdivision or district and that would be

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

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

15 (e) all sales of tangible personal property or services purchased by a
16 contractor for the erection, repair or enlargement of buildings or other
17 projects for the government of the United States, its agencies or
18 instrumentalities, that would be exempt from taxation if purchased directly
19 by the government of the United States, its agencies or instrumentalities.
20 When the government of the United States, its agencies or
21 instrumentalities shall contract for the erection, repair, or enlargement of
22 any building or other project, it shall obtain from the state and furnish to
23 the contractor an exemption certificate for the project involved, and the
24 contractor may purchase materials for incorporation in such project. The
25 contractor shall furnish the number of such certificates to all suppliers
26 from whom such purchases are made, and such suppliers shall execute
27 invoices covering the same bearing the number of such certificate. Upon
28 completion of the project the contractor shall furnish to the government of
29 the United States, its agencies or instrumentalities concerned a sworn
30 statement, on a form to be provided by the director of taxation, that all
31 purchases so made were entitled to exemption under this subsection. As an
32 alternative to the foregoing procedure, any such contracting entity may
33 apply to the secretary of revenue for agent status for the sole purpose of
34 issuing and furnishing project exemption certificates to contractors
35 pursuant to rules and regulations adopted by the secretary establishing
36 conditions and standards for the granting and maintaining of such status.
37 All invoices shall be held by the contractor for a period of five years and
38 shall be subject to audit by the director of taxation. Any contractor or any
39 agent, employee or subcontractor thereof, who shall use or otherwise
40 dispose of any materials purchased under such a certificate for any purpose
41 other than that for which such a certificate is issued without the payment
42 of the sales or compensating tax otherwise imposed upon such materials,
43 shall be guilty of a misdemeanor and, upon conviction therefor, shall be

1 subject to the penalties provided for in K.S.A. 79-3615(h), and
2 amendments thereto;

3 (f) tangible personal property purchased by a railroad or public utility
4 for consumption or movement directly and immediately in interstate
5 commerce;

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

15 (h) all rentals of nonsectarian textbooks by public or private
16 elementary or secondary schools;

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

19 (j) meals served without charge or food used in the preparation of
20 such meals to employees of any restaurant, eating house, dining car, hotel,
21 drugstore or other place where meals or drinks are regularly sold to the
22 public if such employees' duties are related to the furnishing or sale of
23 such meals or drinks;

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

30 (l) all isolated or occasional sales of tangible personal property,
31 services, substances or things, except isolated or occasional sale of motor
32 vehicles specifically taxed under the provisions of K.S.A. 79-3603(o), and
33 amendments thereto;

34 (m) all sales of tangible personal property that become an ingredient
35 or component part of tangible personal property or services produced,
36 manufactured or compounded for ultimate sale at retail within or without
37 the state of Kansas; and any such producer, manufacturer or compounder
38 may obtain from the director of taxation and furnish to the supplier an
39 exemption certificate number for tangible personal property for use as an
40 ingredient or component part of the property or services produced,
41 manufactured or compounded;

42 (n) all sales of tangible personal property that is consumed in the
43 production, manufacture, processing, mining, drilling, refining or

1 compounding of tangible personal property, the treating of by-products or
2 wastes derived from any such production process, the providing of
3 services or the irrigation of crops for ultimate sale at retail within or
4 without the state of Kansas; and any purchaser of such property may
5 obtain from the director of taxation and furnish to the supplier an
6 exemption certificate number for tangible personal property for
7 consumption in such production, manufacture, processing, mining,
8 drilling, refining, compounding, treating, irrigation and in providing such
9 services;

10 (o) all sales of animals, fowl and aquatic plants and animals, the
11 primary purpose of which is use in agriculture or aquaculture, as defined in
12 K.S.A. 47-1901, and amendments thereto, the production of food for
13 human consumption, the production of animal, dairy, poultry or aquatic
14 plant and animal products, fiber or fur, or the production of offspring for
15 use for any such purpose or purposes;

16 (p) all sales of drugs dispensed pursuant to a prescription order by a
17 licensed practitioner or a mid-level practitioner as defined by K.S.A. 65-
18 1626, and amendments thereto. As used in this subsection, "drug" means a
19 compound, substance or preparation and any component of a compound,
20 substance or preparation, other than food and food ingredients, dietary
21 supplements or alcoholic beverages, recognized in the official United
22 States pharmacopeia, official homeopathic pharmacopoeia of the United
23 States or official national formulary, and supplement to any of them,
24 intended for use in the diagnosis, cure, mitigation, treatment or prevention
25 of disease or intended to affect the structure or any function of the body,
26 except that for taxable years commencing after December 31, 2013, this
27 subsection shall not apply to any sales of drugs used in the performance or
28 induction of an abortion, as defined in K.S.A. 65-6701, and amendments
29 thereto;

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

33 (r) all sales of oxygen delivery equipment, kidney dialysis equipment,
34 enteral feeding systems, prosthetic devices and mobility enhancing
35 equipment prescribed in writing by a person licensed to practice the
36 healing arts, dentistry or optometry, and in addition to such sales, all sales
37 of hearing aids, as defined by K.S.A. 74-5807(c), and amendments thereto,
38 and repair and replacement parts therefor, including batteries, by a person
39 licensed in the practice of dispensing and fitting hearing aids pursuant to
40 the provisions of K.S.A. 74-5808, and amendments thereto. For the
41 purposes of this subsection: (1) "Mobility enhancing equipment" means
42 equipment including repair and replacement parts to same, but does not
43 include durable medical equipment, which is primarily and customarily

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

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

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

1 include the operation of a feedlot and farm and ranch work for hire and the
2 operation of a nursery;

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

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

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

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

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

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

40 (aa) all sales of materials and services applied to equipment that is
41 transported into the state from without the state for repair, service,
42 alteration, maintenance, remanufacture or modification and that is
43 subsequently transported outside the state for use in the transmission of

1 liquids or natural gas by means of pipeline in interstate or foreign
2 commerce under authority of the laws of the United States;

3 (bb) all sales of used mobile homes or manufactured homes. As used
4 in this subsection: (1) "Mobile homes" and "manufactured homes" mean
5 the same as defined in K.S.A. 58-4202, and amendments thereto; and (2)
6 "sales of used mobile homes or manufactured homes" means sales other
7 than the original retail sale thereof;

8 (cc) all sales of tangible personal property or services purchased prior
9 to January 1, 2012, except as otherwise provided, for the purpose of and in
10 conjunction with constructing, reconstructing, enlarging or remodeling a
11 business or retail business that meets the requirements established in
12 K.S.A. 74-50,115, and amendments thereto, and the sale and installation of
13 machinery and equipment purchased for installation at any such business
14 or retail business, and all sales of tangible personal property or services
15 purchased on or after January 1, 2012, for the purpose of and in
16 conjunction with constructing, reconstructing, enlarging or remodeling a
17 business that meets the requirements established in K.S.A. 74-50,115(e),
18 and amendments thereto, and the sale and installation of machinery and
19 equipment purchased for installation at any such business. When a person
20 shall contract for the construction, reconstruction, enlargement or
21 remodeling of any such business or retail business, such person shall
22 obtain from the state and furnish to the contractor an exemption certificate
23 for the project involved, and the contractor may purchase materials,
24 machinery and equipment for incorporation in such project. The contractor
25 shall furnish the number of such certificates to all suppliers from whom
26 such purchases are made, and such suppliers shall execute invoices
27 covering the same bearing the number of such certificate. Upon
28 completion of the project the contractor shall furnish to the owner of the
29 business or retail business a sworn statement, on a form to be provided by
30 the director of taxation, that all purchases so made were entitled to
31 exemption under this subsection. All invoices shall be held by the
32 contractor for a period of five years and shall be subject to audit by the
33 director of taxation. Any contractor or any agent, employee or
34 subcontractor thereof, who shall use or otherwise dispose of any materials,
35 machinery or equipment purchased under such a certificate for any
36 purpose other than that for which such a certificate is issued without the
37 payment of the sales or compensating tax otherwise imposed thereon, shall
38 be guilty of a misdemeanor and, upon conviction therefor, shall be subject
39 to the penalties provided for in K.S.A. 79-3615(h), and amendments
40 thereto. As used in this subsection, "business" and "retail business" mean
41 the same as defined in K.S.A. 74-50,114, and amendments thereto. Project
42 exemption certificates that have been previously issued under this
43 subsection by the department of revenue pursuant to K.S.A. 74-50,115,

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

9 (dd) all sales of tangible personal property purchased with food
10 stamps issued by the United States department of agriculture;

11 (ee) all sales of lottery tickets and shares made as part of a lottery
12 operated by the state of Kansas;

13 (ff) on and after July 1, 1988, all sales of new mobile homes or
14 manufactured homes to the extent of 40% of the gross receipts, determined
15 without regard to any trade-in allowance, received from such sale. As used
16 in this subsection, "mobile homes" and "manufactured homes" mean the
17 same as defined in K.S.A. 58-4202, and amendments thereto;

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

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

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

40 (jj) all sales of tangible personal property or services, including the
41 renting and leasing of tangible personal property, purchased directly on
42 behalf of a community-based facility for people with intellectual disability
43 or mental health center organized pursuant to K.S.A. 19-4001 et seq., and

1 amendments thereto, and licensed in accordance with the provisions of
2 K.S.A. 2020 Supp. 39-2001 et seq., and amendments thereto, and all sales
3 of tangible personal property or services purchased by contractors during
4 the time period from July, 2003, through June, 2006, for the purpose of
5 constructing, equipping, maintaining or furnishing a new facility for a
6 community-based facility for people with intellectual disability or mental
7 health center located in Riverton, Cherokee County, Kansas, that would
8 have been eligible for sales tax exemption pursuant to this subsection if
9 purchased directly by such facility or center. This exemption shall not
10 apply to tangible personal property customarily used for human habitation
11 purposes;

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

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

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

19 (2) For purposes of this subsection:

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

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

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

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

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

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

43 (3) For purposes of this subsection, machinery and equipment shall

1 be deemed to be used as an integral or essential part of an integrated
2 production operation when used:

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

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

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

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

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

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

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

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

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

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

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

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

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

42 (4) The following machinery, equipment and materials shall be
43 deemed to be exempt even though it may not otherwise qualify as

1 machinery and equipment used as an integral or essential part of an
2 integrated production operation: (A) Computers and related peripheral
3 equipment that are utilized by a manufacturing or processing business for
4 engineering of the finished product or for research and development or
5 product design; (B) machinery and equipment that is utilized by a
6 manufacturing or processing business to manufacture or rebuild tangible
7 personal property that is used in manufacturing or processing operations,
8 including tools, dies, molds, forms and other parts of qualifying machinery
9 and equipment; (C) portable plants for aggregate concrete, bulk cement
10 and asphalt including cement mixing drums to be attached to a motor
11 vehicle; (D) industrial fixtures, devices, support facilities and special
12 foundations necessary for manufacturing and production operations, and
13 materials and other tangible personal property sold for the purpose of
14 fabricating such fixtures, devices, facilities and foundations. An exemption
15 certificate for such purchases shall be signed by the manufacturer or
16 processor. If the fabricator purchases such material, the fabricator shall
17 also sign the exemption certificate; (E) a manufacturing or processing
18 business' laboratory equipment that is not located at the plant or facility,
19 but that would otherwise qualify for exemption under subsection (3)(E);
20 (F) all machinery and equipment used in surface mining activities as
21 described in K.S.A. 49-601 et seq., and amendments thereto, beginning
22 from the time a reclamation plan is filed to the acceptance of the
23 completed final site reclamation.

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

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

31 (B) machinery, equipment and tools used primarily in maintaining
32 and repairing any type of machinery and equipment or the building and
33 plant;

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

39 (D) office machines and equipment including computers and related
40 peripheral equipment not used directly and primarily to control or measure
41 the manufacturing process;

42 (E) furniture and other furnishings;

43 (F) buildings, other than exempt machinery and equipment that is

1 permanently affixed to or becomes a physical part of the building, and any
2 other part of real estate that is not otherwise exempt;

3 (G) building fixtures that are not integral to the manufacturing
4 operation, such as utility systems for heating, ventilation, air conditioning,
5 communications, plumbing or electrical;

6 (H) machinery and equipment used for general plant heating, cooling
7 and lighting;

8 (I) motor vehicles that are registered for operation on public
9 highways; or

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

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

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

23 (ll) all sales of educational materials purchased for distribution to the
24 public at no charge by a nonprofit corporation organized for the purpose of
25 encouraging, fostering and conducting programs for the improvement of
26 public health, except that for taxable years commencing after December
27 31, 2013, this subsection shall not apply to any sales of such materials
28 purchased by a nonprofit corporation which performs any abortion, as
29 defined in K.S.A. 65-6701, and amendments thereto;

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

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

37 (oo) all sales of tangible personal property purchased by a community
38 action group or agency for the exclusive purpose of repairing or
39 weatherizing housing occupied by low-income individuals;

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

42 (qq) all sales of tangible personal property and services purchased by
43 a nonprofit museum or historical society or any combination thereof,

1 including a nonprofit organization that is organized for the purpose of
2 stimulating public interest in the exploration of space by providing
3 educational information, exhibits and experiences, that is exempt from
4 federal income taxation pursuant to section 501(c)(3) of the federal
5 internal revenue code of 1986;

6 (rr) all sales of tangible personal property that will admit the
7 purchaser thereof to any annual event sponsored by a nonprofit
8 organization that is exempt from federal income taxation pursuant to
9 section 501(c)(3) of the federal internal revenue code of 1986, except that
10 for taxable years commencing after December 31, 2013, this subsection
11 shall not apply to any sales of such tangible personal property purchased
12 by a nonprofit organization which performs any abortion, as defined in
13 K.S.A. 65-6701, and amendments thereto;

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

17 (tt) all sales of tangible personal property and services purchased by
18 or on behalf of a not-for-profit corporation that is exempt from federal
19 income taxation pursuant to section 501(c)(3) of the federal internal
20 revenue code of 1986, for the sole purpose of constructing a Kansas
21 Korean War memorial;

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

25 (vv) all sales of tangible personal property purchased by any of the
26 following organizations that are exempt from federal income taxation
27 pursuant to section 501(c)(3) of the federal internal revenue code of 1986,
28 for the following purposes, and all sales of any such property by or on
29 behalf of any such organization for any such purpose:

30 (1) The American heart association, Kansas affiliate, inc. for the
31 purposes of providing education, training, certification in emergency
32 cardiac care, research and other related services to reduce disability and
33 death from cardiovascular diseases and stroke;

34 (2) the Kansas alliance for the mentally ill, inc. for the purpose of
35 advocacy for persons with mental illness and to education, research and
36 support for their families;

37 (3) the Kansas mental illness awareness council for the purposes of
38 advocacy for persons who are mentally ill and for education, research and
39 support for them and their families;

40 (4) the American diabetes association Kansas affiliate, inc. for the
41 purpose of eliminating diabetes through medical research, public education
42 focusing on disease prevention and education, patient education including
43 information on coping with diabetes, and professional education and

1 training;

2 (5) the American lung association of Kansas, inc. for the purpose of
3 eliminating all lung diseases through medical research, public education
4 including information on coping with lung diseases, professional education
5 and training related to lung disease and other related services to reduce the
6 incidence of disability and death due to lung disease;

7 (6) the Kansas chapters of the Alzheimer's disease and related
8 disorders association, inc. for the purpose of providing assistance and
9 support to persons in Kansas with Alzheimer's disease, and their families
10 and caregivers;

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

14 (8) the national kidney foundation of Kansas and western Missouri
15 for the purpose of eliminating kidney disease through medical research
16 and public and private education related to such disease;

17 (9) the heartstrings community foundation for the purpose of
18 providing training, employment and activities for adults with
19 developmental disabilities;

20 (10) the cystic fibrosis foundation, heart of America chapter, for the
21 purposes of assuring the development of the means to cure and control
22 cystic fibrosis and improving the quality of life for those with the disease;

23 (11) the spina bifida association of Kansas for the purpose of
24 providing financial, educational and practical aid to families and
25 individuals with spina bifida. Such aid includes, but is not limited to,
26 funding for medical devices, counseling and medical educational
27 opportunities;

28 (12) the CHWC, Inc., for the purpose of rebuilding urban core
29 neighborhoods through the construction of new homes, acquiring and
30 renovating existing homes and other related activities, and promoting
31 economic development in such neighborhoods;

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

34 (14) the dreams work, inc., for the purpose of providing young adult
35 day services to individuals with developmental disabilities and assisting
36 families in avoiding institutional or nursing home care for a
37 developmentally disabled member of their family;

38 (15) the KSDS, Inc., for the purpose of promoting the independence
39 and inclusion of people with disabilities as fully participating and
40 contributing members of their communities and society through the
41 training and providing of guide and service dogs to people with
42 disabilities, and providing disability education and awareness to the
43 general public;

1 (16) the lyme association of greater Kansas City, Inc., for the purpose
2 of providing support to persons with lyme disease and public education
3 relating to the prevention, treatment and cure of lyme disease;

4 (17) the dream factory, inc., for the purpose of granting the dreams of
5 children with critical and chronic illnesses;

6 (18) the Ottawa Suzuki strings, inc., for the purpose of providing
7 students and families with education and resources necessary to enable
8 each child to develop fine character and musical ability to the fullest
9 potential;

10 (19) the international association of lions clubs for the purpose of
11 creating and fostering a spirit of understanding among all people for
12 humanitarian needs by providing voluntary services through community
13 involvement and international cooperation;

14 (20) the Johnson county young matrons, inc., for the purpose of
15 promoting a positive future for members of the community through
16 volunteerism, financial support and education through the efforts of an all
17 volunteer organization;

18 (21) the American cancer society, inc., for the purpose of eliminating
19 cancer as a major health problem by preventing cancer, saving lives and
20 diminishing suffering from cancer, through research, education, advocacy
21 and service;

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

24 (23) the angel babies association, for the purpose of providing
25 assistance, support and items of necessity to teenage mothers and their
26 babies; and

27 (24) the Kansas fairgrounds foundation for the purpose of the
28 preservation, renovation and beautification of the Kansas state fairgrounds;

29 (ww) all sales of tangible personal property purchased by the habitat
30 for humanity for the exclusive use of being incorporated within a housing
31 project constructed by such organization;

32 (xx) all sales of tangible personal property and services purchased by
33 a nonprofit zoo that is exempt from federal income taxation pursuant to
34 section 501(c)(3) of the federal internal revenue code of 1986, or on behalf
35 of such zoo by an entity itself exempt from federal income taxation
36 pursuant to section 501(c)(3) of the federal internal revenue code of 1986
37 contracted with to operate such zoo and all sales of tangible personal
38 property or services purchased by a contractor for the purpose of
39 constructing, equipping, reconstructing, maintaining, repairing, enlarging,
40 furnishing or remodeling facilities for any nonprofit zoo that would be
41 exempt from taxation under the provisions of this section if purchased
42 directly by such nonprofit zoo or the entity operating such zoo. Nothing in
43 this subsection shall be deemed to exempt the purchase of any construction

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

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

37 (zz) all sales of machinery and equipment purchased by over-the-air,
38 free access radio or television station that is used directly and primarily for
39 the purpose of producing a broadcast signal or is such that the failure of
40 the machinery or equipment to operate would cause broadcasting to cease.
41 For purposes of this subsection, machinery and equipment shall include,
42 but not be limited to, that required by rules and regulations of the federal
43 communications commission, and all sales of electricity which are

1 essential or necessary for the purpose of producing a broadcast signal or is
2 such that the failure of the electricity would cause broadcasting to cease;

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

1 penalties provided for in K.S.A. 79-3615(h), and amendments thereto.
2 Sales tax paid on and after July 1, 1998, but prior to the effective date of
3 this act upon the gross receipts received from any sale exempted by the
4 amendatory provisions of this subsection shall be refunded. Each claim for
5 a sales tax refund shall be verified and submitted to the director of taxation
6 upon forms furnished by the director and shall be accompanied by any
7 additional documentation required by the director. The director shall
8 review each claim and shall refund that amount of sales tax paid as
9 determined under the provisions of this subsection. All refunds shall be
10 paid from the sales tax refund fund upon warrants of the director of
11 accounts and reports pursuant to vouchers approved by the director or the
12 director's designee;

13 (bbb) all sales of food for human consumption by an organization that
14 is exempt from federal income taxation pursuant to section 501(c)(3) of
15 the federal internal revenue code of 1986, pursuant to a food distribution
16 program that offers such food at a price below cost in exchange for the
17 performance of community service by the purchaser thereof;

18 (ccc) on and after July 1, 1999, all sales of tangible personal property
19 and services purchased by a primary care clinic or health center the
20 primary purpose of which is to provide services to medically underserved
21 individuals and families, and that is exempt from federal income taxation
22 pursuant to section 501(c)(3) of the federal internal revenue code, and all
23 sales of tangible personal property or services purchased by a contractor
24 for the purpose of constructing, equipping, reconstructing, maintaining,
25 repairing, enlarging, furnishing or remodeling facilities for any such clinic
26 or center that would be exempt from taxation under the provisions of this
27 section if purchased directly by such clinic or center, except that for
28 taxable years commencing after December 31, 2013, this subsection shall
29 not apply to any sales of such tangible personal property and services
30 purchased by a primary care clinic or health center which performs any
31 abortion, as defined in K.S.A. 65-6701, and amendments thereto. Nothing
32 in this subsection shall be deemed to exempt the purchase of any
33 construction machinery, equipment or tools used in the constructing,
34 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or
35 remodeling facilities for any such clinic or center. When any such clinic or
36 center shall contract for the purpose of constructing, equipping,
37 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling
38 facilities, it shall obtain from the state and furnish to the contractor an
39 exemption certificate for the project involved, and the contractor may
40 purchase materials for incorporation in such project. The contractor shall
41 furnish the number of such certificate to all suppliers from whom such
42 purchases are made, and such suppliers shall execute invoices covering the
43 same bearing the number of such certificate. Upon completion of the

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

23 (ddd) on and after January 1, 1999, and before January 1, 2000, all
24 sales of materials and services purchased by any class II or III railroad as
25 classified by the federal surface transportation board for the construction,
26 renovation, repair or replacement of class II or III railroad track and
27 facilities used directly in interstate commerce. In the event any such track
28 or facility for which materials and services were purchased sales tax
29 exempt is not operational for five years succeeding the allowance of such
30 exemption, the total amount of sales tax that would have been payable
31 except for the operation of this subsection shall be recouped in accordance
32 with rules and regulations adopted for such purpose by the secretary of
33 revenue;

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

38 (fff) all sales of material handling equipment, racking systems and
39 other related machinery and equipment that is used for the handling,
40 movement or storage of tangible personal property in a warehouse or
41 distribution facility in this state; all sales of installation, repair and
42 maintenance services performed on such machinery and equipment; and
43 all sales of repair and replacement parts for such machinery and

1 equipment. For purposes of this subsection, a warehouse or distribution
2 facility means a single, fixed location that consists of buildings or
3 structures in a contiguous area where storage or distribution operations are
4 conducted that are separate and apart from the business' retail operations,
5 if any, and that do not otherwise qualify for exemption as occurring at a
6 manufacturing or processing plant or facility. Material handling and
7 storage equipment shall include aeration, dust control, cleaning, handling
8 and other such equipment that is used in a public grain warehouse or other
9 commercial grain storage facility, whether used for grain handling, grain
10 storage, grain refining or processing, or other grain treatment operation;

11 (ggg) all sales of tangible personal property and services purchased
12 by or on behalf of the Kansas academy of science, which is exempt from
13 federal income taxation pursuant to section 501(c)(3) of the federal
14 internal revenue code of 1986, and used solely by such academy for the
15 preparation, publication and dissemination of education materials;

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

19 (iii) all sales of personal property and services purchased by an
20 organization that is exempt from federal income taxation pursuant to
21 section 501(c)(3) of the federal internal revenue code of 1986, and such
22 personal property and services are used by any such organization in the
23 collection, storage and distribution of food products to nonprofit
24 organizations that distribute such food products to persons pursuant to a
25 food distribution program on a charitable basis without fee or charge, and
26 all sales of tangible personal property or services purchased by a
27 contractor for the purpose of constructing, equipping, reconstructing,
28 maintaining, repairing, enlarging, furnishing or remodeling facilities used
29 for the collection and storage of such food products for any such
30 organization which is exempt from federal income taxation pursuant to
31 section 501(c)(3) of the federal internal revenue code of 1986, that would
32 be exempt from taxation under the provisions of this section if purchased
33 directly by such organization. Nothing in this subsection shall be deemed
34 to exempt the purchase of any construction machinery, equipment or tools
35 used in the constructing, equipping, reconstructing, maintaining, repairing,
36 enlarging, furnishing or remodeling facilities for any such organization.
37 When any such organization shall contract for the purpose of constructing,
38 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or
39 remodeling facilities, it shall obtain from the state and furnish to the
40 contractor an exemption certificate for the project involved, and the
41 contractor may purchase materials for incorporation in such project. The
42 contractor shall furnish the number of such certificate to all suppliers from
43 whom such purchases are made, and such suppliers shall execute invoices

1 covering the same bearing the number of such certificate. Upon
2 completion of the project the contractor shall furnish to such organization
3 concerned a sworn statement, on a form to be provided by the director of
4 taxation, that all purchases so made were entitled to exemption under this
5 subsection. All invoices shall be held by the contractor for a period of five
6 years and shall be subject to audit by the director of taxation. If any
7 materials purchased under such a certificate are found not to have been
8 incorporated in such facilities or not to have been returned for credit or the
9 sales or compensating tax otherwise imposed upon such materials that will
10 not be so incorporated in such facilities reported and paid by such
11 contractor to the director of taxation not later than the 20th day of the
12 month following the close of the month in which it shall be determined
13 that such materials will not be used for the purpose for which such
14 certificate was issued, such organization concerned shall be liable for tax
15 on all materials purchased for the project, and upon payment thereof it
16 may recover the same from the contractor together with reasonable
17 attorney fees. Any contractor or any agent, employee or subcontractor
18 thereof, who shall use or otherwise dispose of any materials purchased
19 under such a certificate for any purpose other than that for which such a
20 certificate is issued without the payment of the sales or compensating tax
21 otherwise imposed upon such materials, shall be guilty of a misdemeanor
22 and, upon conviction therefor, shall be subject to the penalties provided for
23 in K.S.A. 79-3615(h), and amendments thereto. Sales tax paid on and after
24 July 1, 2005, but prior to the effective date of this act upon the gross
25 receipts received from any sale exempted by the amendatory provisions of
26 this subsection shall be refunded. Each claim for a sales tax refund shall be
27 verified and submitted to the director of taxation upon forms furnished by
28 the director and shall be accompanied by any additional documentation
29 required by the director. The director shall review each claim and shall
30 refund that amount of sales tax paid as determined under the provisions of
31 this subsection. All refunds shall be paid from the sales tax refund fund
32 upon warrants of the director of accounts and reports pursuant to vouchers
33 approved by the director or the director's designee;

34 (jjj) all sales of dietary supplements dispensed pursuant to a
35 prescription order by a licensed practitioner or a mid-level practitioner as
36 defined by K.S.A. 65-1626, and amendments thereto. As used in this
37 subsection, "dietary supplement" means any product, other than tobacco,
38 intended to supplement the diet that: (1) Contains one or more of the
39 following dietary ingredients: A vitamin, a mineral, an herb or other
40 botanical, an amino acid, a dietary substance for use by humans to
41 supplement the diet by increasing the total dietary intake or a concentrate,
42 metabolite, constituent, extract or combination of any such ingredient; (2)
43 is intended for ingestion in tablet, capsule, powder, softgel, gelcap or

1 liquid form, or if not intended for ingestion, in such a form, is not
2 represented as conventional food and is not represented for use as a sole
3 item of a meal or of the diet; and (3) is required to be labeled as a dietary
4 supplement, identifiable by the supplemental facts box found on the label
5 and as required pursuant to 21 C.F.R. § 101.36;

6 (lll) all sales of tangible personal property and services purchased by
7 special olympics Kansas, inc. for the purpose of providing year-round
8 sports training and athletic competition in a variety of olympic-type sports
9 for individuals with intellectual disabilities by giving them continuing
10 opportunities to develop physical fitness, demonstrate courage, experience
11 joy and participate in a sharing of gifts, skills and friendship with their
12 families, other special olympics athletes and the community, and activities
13 provided or sponsored by such organization, and all sales of tangible
14 personal property by or on behalf of any such organization;

15 (mmm) all sales of tangible personal property purchased by or on
16 behalf of the Marillac center, inc., which is exempt from federal income
17 taxation pursuant to section 501(c)(3) of the federal internal revenue code,
18 for the purpose of providing psycho-social-biological and special
19 education services to children, and all sales of any such property by or on
20 behalf of such organization for such purpose;

21 (nnn) all sales of tangible personal property and services purchased
22 by the west Sedgwick county-sunrise rotary club and sunrise charitable
23 fund for the purpose of constructing a boundless playground which is an
24 integrated, barrier free and developmentally advantageous play
25 environment for children of all abilities and disabilities;

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

30 (ppp) all sales of tangible personal property and services purchased
31 by or on behalf of a homeless shelter that is exempt from federal income
32 taxation pursuant to section 501(c)(3) of the federal income tax code of
33 1986, and used by any such homeless shelter to provide emergency and
34 transitional housing for individuals and families experiencing
35 homelessness, and all sales of any such property by or on behalf of any
36 such homeless shelter for any such purpose;

37 (qqq) all sales of tangible personal property and services purchased
38 by TLC for children and families, inc., hereinafter referred to as TLC,
39 which is exempt from federal income taxation pursuant to section 501(c)
40 (3) of the federal internal revenue code of 1986, and such property and
41 services are used for the purpose of providing emergency shelter and
42 treatment for abused and neglected children as well as meeting additional
43 critical needs for children, juveniles and family, and all sales of any such

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

39 (rrr) all sales of tangible personal property and services purchased by
40 any county law library maintained pursuant to law and sales of tangible
41 personal property and services purchased by an organization that would
42 have been exempt from taxation under the provisions of this subsection if
43 purchased directly by the county law library for the purpose of providing

1 legal resources to attorneys, judges, students and the general public, and
2 all sales of any such property by or on behalf of any such county law
3 library;

4 (sss) all sales of tangible personal property and services purchased by
5 catholic charities or youthville, hereinafter referred to as charitable family
6 providers, which is exempt from federal income taxation pursuant to
7 section 501(c)(3) of the federal internal revenue code of 1986, and which
8 such property and services are used for the purpose of providing
9 emergency shelter and treatment for abused and neglected children as well
10 as meeting additional critical needs for children, juveniles and family, and
11 all sales of any such property by or on behalf of charitable family
12 providers for any such purpose; and all sales of tangible personal property
13 or services purchased by a contractor for the purpose of constructing,
14 maintaining, repairing, enlarging, furnishing or remodeling facilities for
15 the operation of services for charitable family providers for any such
16 purpose which would be exempt from taxation under the provisions of this
17 section if purchased directly by charitable family providers. Nothing in
18 this subsection shall be deemed to exempt the purchase of any construction
19 machinery, equipment or tools used in the constructing, maintaining,
20 repairing, enlarging, furnishing or remodeling such facilities for charitable
21 family providers. When charitable family providers contracts for the
22 purpose of constructing, maintaining, repairing, enlarging, furnishing or
23 remodeling such facilities, it shall obtain from the state and furnish to the
24 contractor an exemption certificate for the project involved, and the
25 contractor may purchase materials for incorporation in such project. The
26 contractor shall furnish the number of such certificate to all suppliers from
27 whom such purchases are made, and such suppliers shall execute invoices
28 covering the same bearing the number of such certificate. Upon
29 completion of the project the contractor shall furnish to charitable family
30 providers a sworn statement, on a form to be provided by the director of
31 taxation, that all purchases so made were entitled to exemption under this
32 subsection. All invoices shall be held by the contractor for a period of five
33 years and shall be subject to audit by the director of taxation. If any
34 materials purchased under such a certificate are found not to have been
35 incorporated in the building or other project or not to have been returned
36 for credit or the sales or compensating tax otherwise imposed upon such
37 materials that will not be so incorporated in the building or other project
38 reported and paid by such contractor to the director of taxation not later
39 than the 20th day of the month following the close of the month in which it
40 shall be determined that such materials will not be used for the purpose for
41 which such certificate was issued, charitable family providers shall be
42 liable for tax on all materials purchased for the project, and upon payment
43 thereof it may recover the same from the contractor together with

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

8 (ttt) all sales of tangible personal property or services purchased by a
9 contractor for a project for the purpose of restoring, constructing,
10 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or
11 remodeling a home or facility owned by a nonprofit museum that has been
12 granted an exemption pursuant to subsection (qq), which such home or
13 facility is located in a city that has been designated as a qualified
14 hometown pursuant to the provisions of K.S.A. 75-5071 et seq., and
15 amendments thereto, and which such project is related to the purposes of
16 K.S.A. 75-5071 et seq., and amendments thereto, and that would be
17 exempt from taxation under the provisions of this section if purchased
18 directly by such nonprofit museum. Nothing in this subsection shall be
19 deemed to exempt the purchase of any construction machinery, equipment
20 or tools used in the restoring, constructing, equipping, reconstructing,
21 maintaining, repairing, enlarging, furnishing or remodeling a home or
22 facility for any such nonprofit museum. When any such nonprofit museum
23 shall contract for the purpose of restoring, constructing, equipping,
24 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling
25 a home or facility, it shall obtain from the state and furnish to the
26 contractor an exemption certificate for the project involved, and the
27 contractor may purchase materials for incorporation in such project. The
28 contractor shall furnish the number of such certificates to all suppliers
29 from whom such purchases are made, and such suppliers shall execute
30 invoices covering the same bearing the number of such certificate. Upon
31 completion of the project, the contractor shall furnish to such nonprofit
32 museum a sworn statement on a form to be provided by the director of
33 taxation that all purchases so made were entitled to exemption under this
34 subsection. All invoices shall be held by the contractor for a period of five
35 years and shall be subject to audit by the director of taxation. If any
36 materials purchased under such a certificate are found not to have been
37 incorporated in the building or other project or not to have been returned
38 for credit or the sales or compensating tax otherwise imposed upon such
39 materials that will not be so incorporated in a home or facility or other
40 project reported and paid by such contractor to the director of taxation not
41 later than the 20th day of the month following the close of the month in
42 which it shall be determined that such materials will not be used for the
43 purpose for which such certificate was issued, such nonprofit museum

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

10 (uuu) all sales of tangible personal property and services purchased
11 by Kansas children's service league, hereinafter referred to as KCSL,
12 which is exempt from federal income taxation pursuant to section 501(c)
13 (3) of the federal internal revenue code of 1986, and which such property
14 and services are used for the purpose of providing for the prevention and
15 treatment of child abuse and maltreatment as well as meeting additional
16 critical needs for children, juveniles and family, and all sales of any such
17 property by or on behalf of KCSL for any such purpose; and all sales of
18 tangible personal property or services purchased by a contractor for the
19 purpose of constructing, maintaining, repairing, enlarging, furnishing or
20 remodeling facilities for the operation of services for KCSL for any such
21 purpose that would be exempt from taxation under the provisions of this
22 section if purchased directly by KCSL. Nothing in this subsection shall be
23 deemed to exempt the purchase of any construction machinery, equipment
24 or tools used in the constructing, maintaining, repairing, enlarging,
25 furnishing or remodeling such facilities for KCSL. When KCSL contracts
26 for the purpose of constructing, maintaining, repairing, enlarging,
27 furnishing or remodeling such facilities, it shall obtain from the state and
28 furnish to the contractor an exemption certificate for the project involved,
29 and the contractor may purchase materials for incorporation in such
30 project. The contractor shall furnish the number of such certificate to all
31 suppliers from whom such purchases are made, and such suppliers shall
32 execute invoices covering the same bearing the number of such certificate.
33 Upon completion of the project the contractor shall furnish to KCSL a
34 sworn statement, on a form to be provided by the director of taxation, that
35 all purchases so made were entitled to exemption under this subsection.
36 All invoices shall be held by the contractor for a period of five years and
37 shall be subject to audit by the director of taxation. If any materials
38 purchased under such a certificate are found not to have been incorporated
39 in the building or other project or not to have been returned for credit or
40 the sales or compensating tax otherwise imposed upon such materials that
41 will not be so incorporated in the building or other project reported and
42 paid by such contractor to the director of taxation not later than the 20th
43 day of the month following the close of the month in which it shall be

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

12 (vvv) all sales of tangible personal property or services, including the
13 renting and leasing of tangible personal property or services, purchased by
14 jazz in the woods, inc., a Kansas corporation that is exempt from federal
15 income taxation pursuant to section 501(c)(3) of the federal internal
16 revenue code, for the purpose of providing jazz in the woods, an event
17 benefiting children-in-need and other nonprofit charities assisting such
18 children, and all sales of any such property by or on behalf of such
19 organization for such purpose;

20 (www) all sales of tangible personal property purchased by or on
21 behalf of the Frontenac education foundation, which is exempt from
22 federal income taxation pursuant to section 501(c)(3) of the federal
23 internal revenue code, for the purpose of providing education support for
24 students, and all sales of any such property by or on behalf of such
25 organization for such purpose;

26 (xxx) all sales of personal property and services purchased by the
27 booth theatre foundation, inc., an organization, which is exempt from
28 federal income taxation pursuant to section 501(c)(3) of the federal
29 internal revenue code of 1986, and which such personal property and
30 services are used by any such organization in the constructing, equipping,
31 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling
32 of the booth theatre, and all sales of tangible personal property or services
33 purchased by a contractor for the purpose of constructing, equipping,
34 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling
35 the booth theatre for such organization, that would be exempt from
36 taxation under the provisions of this section if purchased directly by such
37 organization. Nothing in this subsection shall be deemed to exempt the
38 purchase of any construction machinery, equipment or tools used in the
39 constructing, equipping, reconstructing, maintaining, repairing, enlarging,
40 furnishing or remodeling facilities for any such organization. When any
41 such organization shall contract for the purpose of constructing, equipping,
42 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling
43 facilities, it shall obtain from the state and furnish to the contractor an

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

39 (yyy) all sales of tangible personal property and services purchased
40 by TLC charities foundation, inc., hereinafter referred to as TLC charities,
41 which is exempt from federal income taxation pursuant to section 501(c)
42 (3) of the federal internal revenue code of 1986, and which such property
43 and services are used for the purpose of encouraging private philanthropy

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

41 (zzz) all sales of tangible personal property purchased by the rotary
42 club of shawnee foundation, which is exempt from federal income taxation
43 pursuant to section 501(c)(3) of the federal internal revenue code of 1986,

1 as amended, used for the purpose of providing contributions to community
2 service organizations and scholarships;

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

9 (bbbb) all sales of entry or participation fees, charges or tickets by
10 Guadalupe health foundation, which is exempt from federal income
11 taxation pursuant to section 501(c)(3) of the federal internal revenue code,
12 for such organization's annual fundraising event which purpose is to
13 provide health care services for uninsured workers;

14 (cccc) all sales of tangible personal property or services purchased by
15 or on behalf of wayside waifs, inc., which is exempt from federal income
16 taxation pursuant to section 501(c)(3) of the federal internal revenue code,
17 for the purpose of providing such organization's annual fundraiser, an
18 event whose purpose is to support the care of homeless and abandoned
19 animals, animal adoption efforts, education programs for children and
20 efforts to reduce animal over-population and animal welfare services, and
21 all sales of any such property, including entry or participation fees or
22 charges, by or on behalf of such organization for such purpose;

23 (dddd) all sales of tangible personal property or services purchased
24 by or on behalf of goodwill industries or Easter seals of Kansas, inc., both
25 of which are exempt from federal income taxation pursuant to section
26 501(c)(3) of the federal internal revenue code, for the purpose of providing
27 education, training and employment opportunities for people with
28 disabilities and other barriers to employment;

29 (eeee) all sales of tangible personal property or services purchased by
30 or on behalf of all American beef battalion, inc., which is exempt from
31 federal income taxation pursuant to section 501(c)(3) of the federal
32 internal revenue code, for the purpose of educating, promoting and
33 participating as a contact group through the beef cattle industry in order to
34 carry out such projects that provide support and morale to members of the
35 United States armed forces and military services;

36 (ffff) all sales of tangible personal property and services purchased by
37 sheltered living, inc., which is exempt from federal income taxation
38 pursuant to section 501(c)(3) of the federal internal revenue code of 1986,
39 and which such property and services are used for the purpose of
40 providing residential and day services for people with developmental
41 disabilities or intellectual disability, or both, and all sales of any such
42 property by or on behalf of sheltered living, inc., for any such purpose; and
43 all sales of tangible personal property or services purchased by a

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

39 (gggg) all sales of game birds for which the primary purpose is use in
40 hunting;

41 (hhhh) all sales of tangible personal property or services purchased
42 on or after July 1, 2014, for the purpose of and in conjunction with
43 constructing, reconstructing, enlarging or remodeling a business identified

1 under the North American industry classification system (NAICS)
2 subsectors 1123, 1124, 112112, 112120 or 112210, and the sale and
3 installation of machinery and equipment purchased for installation at any
4 such business. The exemption provided in this subsection shall not apply
5 to projects that have actual total costs less than \$50,000. When a person
6 contracts for the construction, reconstruction, enlargement or remodeling
7 of any such business, such person shall obtain from the state and furnish to
8 the contractor an exemption certificate for the project involved, and the
9 contractor may purchase materials, machinery and equipment for
10 incorporation in such project. The contractor shall furnish the number of
11 such certificates to all suppliers from whom such purchases are made, and
12 such suppliers shall execute invoices covering the same bearing the
13 number of such certificate. Upon completion of the project, the contractor
14 shall furnish to the owner of the business a sworn statement, on a form to
15 be provided by the director of taxation, that all purchases so made were
16 entitled to exemption under this subsection. All invoices shall be held by
17 the contractor for a period of five years and shall be subject to audit by the
18 director of taxation. Any contractor or any agent, employee or
19 subcontractor of the contractor, who shall use or otherwise dispose of any
20 materials, machinery or equipment purchased under such a certificate for
21 any purpose other than that for which such a certificate is issued without
22 the payment of the sales or compensating tax otherwise imposed thereon,
23 shall be guilty of a misdemeanor and, upon conviction therefor, shall be
24 subject to the penalties provided for in K.S.A. 79-3615(h), and
25 amendments thereto;

26 (iii) all sales of tangible personal property or services purchased by a
27 contractor for the purpose of constructing, maintaining, repairing,
28 enlarging, furnishing or remodeling facilities for the operation of services
29 for Wichita children's home for any such purpose that would be exempt
30 from taxation under the provisions of this section if purchased directly by
31 Wichita children's home. Nothing in this subsection shall be deemed to
32 exempt the purchase of any construction machinery, equipment or tools
33 used in the constructing, maintaining, repairing, enlarging, furnishing or
34 remodeling such facilities for Wichita children's home. When Wichita
35 children's home contracts for the purpose of constructing, maintaining,
36 repairing, enlarging, furnishing or remodeling such facilities, it shall obtain
37 from the state and furnish to the contractor an exemption certificate for the
38 project involved, and the contractor may purchase materials for
39 incorporation in such project. The contractor shall furnish the number of
40 such certificate to all suppliers from whom such purchases are made, and
41 such suppliers shall execute invoices covering the same bearing the
42 number of such certificate. Upon completion of the project, the contractor
43 shall furnish to Wichita children's home a sworn statement, on a form to be

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

21 (jjjj) all sales of tangible personal property or services purchased by
22 or on behalf of the beacon, inc., that is exempt from federal income
23 taxation pursuant to section 501(c)(3) of the federal internal revenue code,
24 for the purpose of providing those desiring help with food, shelter, clothing
25 and other necessities of life during times of special need;

26 (kkkk) all sales of tangible personal property and services purchased
27 by or on behalf of reaching out from within, inc., which is exempt from
28 federal income taxation pursuant to section 501(c)(3) of the federal
29 internal revenue code, for the purpose of sponsoring self-help programs for
30 incarcerated persons that will enable such incarcerated persons to become
31 role models for non-violence while in correctional facilities and productive
32 family members and citizens upon return to the community;

33 (llll) all sales of tangible personal property and services purchased by
34 Gove county healthcare endowment foundation, inc., which is exempt
35 from federal income taxation pursuant to section 501(c)(3) of the federal
36 internal revenue code of 1986, and which such property and services are
37 used for the purpose of constructing and equipping an airport in Quinter,
38 Kansas, and all sales of tangible personal property or services purchased
39 by a contractor for the purpose of constructing and equipping an airport in
40 Quinter, Kansas, for such organization, that would be exempt from
41 taxation under the provisions of this section if purchased directly by such
42 organization. Nothing in this subsection shall be deemed to exempt the
43 purchase of any construction machinery, equipment or tools used in the

1 constructing or equipping of facilities for such organization. When such
2 organization shall contract for the purpose of constructing or equipping an
3 airport in Quinter, Kansas, it shall obtain from the state and furnish to the
4 contractor an exemption certificate for the project involved, and the
5 contractor may purchase materials for incorporation in such project. The
6 contractor shall furnish the number of such certificate to all suppliers from
7 whom such purchases are made, and such suppliers shall execute invoices
8 covering the same bearing the number of such certificate. Upon
9 completion of the project, the contractor shall furnish to such organization
10 concerned a sworn statement, on a form to be provided by the director of
11 taxation, that all purchases so made were entitled to exemption under this
12 subsection. All invoices shall be held by the contractor for a period of five
13 years and shall be subject to audit by the director of taxation. If any
14 materials purchased under such a certificate are found not to have been
15 incorporated in such facilities or not to have been returned for credit or the
16 sales or compensating tax otherwise imposed upon such materials that will
17 not be so incorporated in such facilities reported and paid by such
18 contractor to the director of taxation no later than the 20th day of the month
19 following the close of the month in which it shall be determined that such
20 materials will not be used for the purpose for which such certificate was
21 issued, such organization concerned shall be liable for tax on all materials
22 purchased for the project, and upon payment thereof it may recover the
23 same from the contractor together with reasonable attorney fees. Any
24 contractor or any agent, employee or subcontractor thereof, who purchased
25 under such a certificate for any purpose other than that for which such a
26 certificate is issued without the payment of the sales or compensating tax
27 otherwise imposed upon such materials, shall be guilty of a misdemeanor
28 and, upon conviction therefor, shall be subject to the penalties provided for
29 in K.S.A. 79-3615(h), and amendments thereto. The provisions of this
30 subsection shall expire and have no effect on and after July 1, 2019; and

31 (mmmm) all sales of gold or silver coins; and palladium, platinum,
32 gold or silver bullion. For the purposes of this subsection, "bullion" means
33 bars, ingots or commemorative medallions of gold, silver, platinum,
34 palladium, or a combination thereof, for which the value of the metal
35 depends on its content and not the form.

36 Sec. 3. K.S.A. 79-3602 and 79-3606 are hereby repealed.

37 Sec. 4. This act shall take effect and be in force from and after its
38 publication in the statute book.