

SENATE BILL No. 91

By Committee on Commerce

1-24

1 AN ACT concerning economic development; enacting the Kansas film and
2 digital media production development act; establishing an income tax
3 credit; **and** sales tax exemption ~~and loan and grant~~ program to be
4 administered by the secretary of commerce for the purpose of
5 developing film, video or digital production in Kansas; ~~establishing the~~
6 ~~Kansas film and digital media production development act education~~
7 ~~fund and the Kansas film and digital media production development act~~
8 ~~workforce training and business direct investment fund~~; amending
9 K.S.A. 2022 Supp. 79-3606 and repealing the existing section.

10
11 *Be it enacted by the Legislature of the State of Kansas:*

12 New Section 1. Sections 1 through ~~8~~ **6**, and amendments thereto,
13 shall be known and may be cited as the Kansas film and digital media
14 production development act. The purpose of the Kansas film and digital
15 media production development act is to incentivize film, video or digital
16 media productions in Kansas and facilitate the development and growth of
17 a film, video or digital media production industry and associated
18 businesses supporting the industry in this state.

19 New Sec. 2. As used in this act:

20 (a) "Above-the-line personnel" means any individual hired or credited
21 on screen for an eligible production for work on the production or
22 postproduction of film as a:

23 (1) Principal cast member compensated for the eligible production
24 project at a screen actors guild schedule f or above payment rate; or

25 (2) producer, screenwriter or director.

26 (b) "Act" means the Kansas film and digital media production
27 development act.

28 (c) "Affiliates" means those entities that are included in the
29 production company's affiliated group as defined in section 1504(a) of the
30 internal revenue code, 26 U.S.C. § 1504(a), and all other entities that are
31 50% or more owned, directly or indirectly, by members of the affiliated
32 group.

33 (d) "Based in Kansas" or "Kansas-based" means, in reference to a
34 vendor, production company or company, that the vendor, production
35 company or company is subject to income tax liability under the Kansas
36 income tax act and has a physical presence in Kansas and, with respect to a

1 production company, has maintained a physical presence in Kansas for at
2 least six months prior to submitting an application to the secretary
3 pursuant to section 3, and amendments thereto.

4 (e) "Certified production" or "certified project" means an eligible
5 production that has agreed to one or more qualified Kansas promotions
6 and that has been approved by the secretary of commerce as eligible for
7 tax incentives pursuant to the provisions of section 3, and amendments
8 thereto.

9 (f) "Crew" means any individual who works on production or
10 postproduction for an eligible production. "Crew" does not include above-
11 the-line personnel.

12 (g) (1) "Eligible production" or "eligible project" means a production:

13 (A) (i) Of a new film, video or digital project, or a portion or portions
14 of such project, produced in this state, including a feature film,
15 documentary, series, pilot, movie for television, televised commercial
16 advertisement, music video, video game, content-based mobile application
17 or a virtual reality, augmented reality, multi-media or new media project;

18 (ii) produced in whole or in part, in short or in long form, and may
19 include animation, music and green screen, motion capture and similar
20 production techniques;

21 (iii) fixed on a delivery system including, but not limited to, film
22 format or reels, videotape, computer drive or disc, laser disc or any
23 element of the digital domain, from which the program or completed
24 project is viewed or reproduced; and

25 (iv) intended for multimarket commercial distribution via theaters,
26 video on demand, direct to DVD, streaming, digital platforms or electronic
27 delivery systems designed for the distribution or playing of interactive
28 games, licensing for exhibition by individual television stations, groups of
29 stations, networks, advertiser-supported sites, cable television stations,
30 streaming companies or public broadcasting stations; and

31 (B) that incurs or is reasonably anticipated to incur qualified
32 production or postproduction expenses of at least \$50,000, as determined
33 by the secretary.

34 (2) "Eligible production" or "eligible project" does not include:

35 (A) The coverage of news or athletic events, local advertising, local
36 interest programming, instructional videos, corporate videos, any project
37 that is not intended for multimarket commercial distribution or any portion
38 of a project not shot, recorded or created in Kansas; and

39 (B) any production of obscene material or an obscene performance as
40 defined in K.S.A. 2022 Supp. 21-6401, and amendments thereto.

41 (3) For purposes of the income tax credit as allowed under section
42 4(f), and amendments thereto, "eligible production" or "eligible project"
43 means the same as defined in paragraphs (1) and (2), except that a

1 production not intended for multimarket commercial distribution may be
2 included and the amount of eligible expenses required shall be at least
3 \$25,000.

4 (h) "Eligible television series" means a certified series television
5 production project intended for multimarket commercial distribution, with
6 an order for multiple episodes in a single season, not less than 25% of the
7 series season is filmed within Kansas and the production incurs qualifying
8 eligible expenses of more than \$50,000.

9 (i) "Eligible wages and salaries" means:

10 (1) (A) Wages or salaries paid by the production company to crew for
11 work in Kansas designated as for production or for postproduction of an
12 eligible production;

13 (B) for which the production company is required to remit
14 withholding payments to the department of revenue under the Kansas
15 withholding and declaration of estimated tax act; and

16 (C) at least 10% of the crew are residents of this state. The secretary
17 and the Kansas arts industry director may agree upon a higher percentage
18 requirement; and

19 (2) the amounts of wages, salaries or payments paid to above-the-line
20 personnel, except that the eligible amount of such wages, salaries or
21 payments shall not comprise more than 25% of qualified production
22 expenditures as defined in subsection (s).

23 (j) "Film" means a professional single media, multimedia, video or
24 audiovisual program or feature, that may be digital, that is not obscene
25 material or an obscene performance as defined in K.S.A. 2022 Supp. 21-
26 6401, and amendments thereto. "Film" includes, but is not limited to, film
27 produced for an interactive game or a documentary, special, music video,
28 television commercial or television program, or a portion thereof, that is
29 filmed or taped for cable, television, streaming network, national or
30 regional syndication or for a feature-length motion picture intended for
31 theatrical release or for network, streaming, national or regional
32 syndication or broadcast.

33 (k) "High-impact production" means a certified production for which
34 production or postproduction expenditures are at least \$50,000,000, and at
35 least $\frac{1}{3}$ of such total expenditures constitute qualified expenditures
36 approved by the secretary of commerce.

37 (l) "Kansas film media industry development expenditure" means
38 documented financial, promotional or in-kind contributions or educational
39 or workforce development efforts, at standard rates set by the secretary of
40 commerce in consultation with the Kansas creative arts industries
41 commission, in partnership with related Kansas industry labor
42 organizations or educational institutions, toward the furtherance of the
43 Kansas film or digital media industry. Promotional efforts include, but are

1 not limited to, the promotion of the Kansas industry by directors, actors or
2 producers affiliated with the production company's project through social
3 media that is managed by the state, radio or television interviews
4 facilitated by the department of commerce, enhanced screen credit
5 acknowledgments or related events that are facilitated, conducted or
6 sponsored by the secretary of commerce or the Kansas creative arts
7 industries commission.

8 (m) "Multi-film deal" means a certified project in which a production
9 company films at least 75% of main crew principal photography for three
10 or more films in this state within five years.

11 (n) "Nonresident crew member" means an individual who is not a
12 Kansas resident and is hired for work on a an eligible production project
13 within this state.

14 (o) "Production company" means a person, producer or company that
15 produces film for, including, but not limited to, exhibition in theaters,
16 television, interactive games, cable, syndication or streaming networks.
17 "Production company" includes affiliates of a production company when
18 approved by the secretary and identified in the agreement executed
19 pursuant to section 3, and amendments thereto.

20 (p) (1) "Postproduction expenditures" means expenditures made in
21 Kansas directly for postproduction activities in Kansas for an eligible
22 production by a production company and includes, but are not limited to,
23 the following categories:

24 (A) Eligible wages or salaries of above-the-line personnel or crew
25 designated as postproduction;

26 (B) sound synchronization, recording or mixing;

27 (C) color grading;

28 (D) editing and related services;

29 (E) visual effects or special effects;

30 (F) computer graphics, special effects or animation services;

31 (G) film processing or format transfers;

32 (H) music production, recording, mixing or composition;

33 (I) licensing of music produced in this state or created by a Kansas
34 resident;

35 (J) rental of facilities or equipment;

36 (K) leasing of vehicles, including leasing of airplanes, for
37 postproduction-related transportation and costs of food and lodging; and

38 (L) other direct postproduction costs of an eligible production in
39 accordance with generally accepted entertainment industry practices.

40 (2) "Postproduction expenditures" does not include:

41 (A) Goods, equipment or vehicles not purchased, rented or leased in
42 Kansas from a Kansas-based vendor and when not used in Kansas;

43 (B) any expenditures for activities, work or services not conducted in

1 Kansas and not performed by a Kansas-based vendor. A vendor that acts as
2 a conduit to enable purchases, rentals or leases to qualify as "production
3 expenditures" that would not otherwise qualify shall not be considered a
4 Kansas-based vendor with respect to such purchases, rentals or leases; or

5 (C) costs for footage shot outside this state, marketing, story rights or
6 distribution.

7 (q) (1) "Production expenditures" means expenditures made in
8 Kansas directly related to or used for production activities in this state for
9 an eligible production by a production company, including, but not limited to,
10 the following categories:

11 (A) Eligible wages or salaries of above-the-line personnel or crew
12 designated as production;

13 (B) set construction, maintenance, repair or modification, set
14 furnishings and operations, wardrobe, make-up, materials used to construct
15 costumes, props or scenery, accessories and related services;

16 (C) scripts, musical scores or storyboards and drafting and design
17 supplies;

18 (D) photography, sound synchronization, lighting and related
19 services;

20 (E) editing and related services;

21 (F) rental of buildings, facilities or equipment and leasing of vehicles,
22 including, but not limited to, leasing of airplanes;

23 (G) transportation costs, including, but not limited to, leasing of
24 vehicles or airplanes, directly related to production activities in Kansas;

25 (H) food and lodging;

26 (I) sound recording or mixing services;

27 (J) computer graphics, special effects and animation services;

28 (K) film processing or format transfers;

29 (L) airfare if purchased through a Kansas travel agency;

30 (M) insurance costs and bonding if purchased through a Kansas
31 insurance agency; and

32 (N) other direct costs of producing film in accordance with generally
33 accepted entertainment industry practices.

34 (2) "Production expenditures" does not include:

35 (A) Goods, equipment or vehicles not purchased, rented or leased in
36 Kansas from a Kansas-based vendor;

37 (B) any expenditures for activities, work or services not conducted in
38 Kansas and services not performed at the filming site unless the vendor is
39 a Kansas-based vendor; and

40 (C) postproduction expenditures as defined in subsection (p) when
41 used for postproduction activities.

42 (r) "Qualified postproduction expenditures" means the funds actually
43 invested and expended by a production company that are postproduction

1 expenditures made in this state and that are directly used in a certified
2 production, including, but not limited to, any Kansas film media industry
3 development expenditures, and approved by the secretary of commerce.
4 "Qualified postproduction expenditures" shall not exceed the usual and
5 customary cost of the goods or services acquired. The secretary of
6 commerce or the secretary of revenue may determine the value of the
7 goods or services for purposes of this section when the buyer and seller are
8 affiliates, or the sale or purchase is not an arm's length transaction.
9 "Qualified postproduction expenditures" does not include postproduction
10 expenditures for which another taxpayer claims the production tax credit
11 pursuant to section 4, and amendments thereto.

12 (s) "Qualified production expenditures" means the funds actually
13 invested and expended by a production company that are production
14 expenditures made in this state and directly used in a certified production,
15 including any Kansas film media industry development expenditures, and
16 approved by the secretary of commerce. "Qualified production
17 expenditures" shall not exceed the usual and customary cost of the goods
18 or services acquired. The secretary of commerce or the secretary of
19 revenue may determine the value of the goods or services for purposes of
20 this act when the buyer and seller are affiliates, or the sale or purchase is
21 not an arm's length transaction. "Qualified production expenditures" does
22 not include production expenditures for which another taxpayer claims the
23 production tax credit pursuant to section 4, and amendments thereto.
24 "Qualified production expenditures" does not include wages, salaries or
25 payment paid to above-the-line personnel that constitute more than 25% of
26 total production expenditures.

27 (t) "Qualified Kansas promotion" means a promotion of this state,
28 approved by the secretary as to content, distribution, duration and
29 placement within a production, video or interactive game or in associated
30 online or other promotions, that consists of a static or animated logo that
31 promotes Kansas, an embedded Kansas promotion or a Kansas
32 advertisement and that may include a link to a Kansas website.

33 (u) "Secretary" means the secretary of commerce.

34 (v) "Vendor" means a business that sells or leases goods or services
35 that are related to standard production industry inventory or services.
36 "Vendor" does not include a personal services business.

37 New Sec. 3. (a) There is hereby created the Kansas film and digital
38 media industry development program. The purpose of the Kansas film and
39 digital media industry development program is to:

40 (1) Provide tax incentives, including, but not limited to, an income
41 tax credit and a sales tax exemption, for eligible projects produced in
42 Kansas by production companies that meet the requirements of this act and
43 are approved as certified projects by the secretary of commerce; and

1 (2) provide tax incentives, support programs or services, including,
2 but not limited to, professional development, infrastructure investments
3 and marketing efforts to develop film and digital media industry-related
4 Kansas businesses.

5 (b) The program shall be administered by the secretary with the
6 assistance of the Kansas creative arts industries commission. The secretary
7 shall consult with the Kansas creative arts industries commission in
8 administering this act to ensure the best possible use of Kansas resources
9 for promoting and developing film and digital media production and
10 related industry in Kansas. In determining whether to approve a project as
11 a certified project, the secretary shall consider the immediate impact and
12 potential future impact of the project on the development and growth of
13 the Kansas film, video and digital media production industry. The
14 secretary may limit, by category, specified eligible expenditures or total
15 amounts of eligible production or postproduction expenditures that may be
16 approved by the secretary as qualified production or postproduction
17 expenditures. The aggregate total amount of income tax credits under this
18 act shall not exceed \$10,000,000 in a tax year. The secretary shall
19 designate 10% of such total aggregate amount in each tax year for tax
20 credits for Kansas-based production companies to fulfill the purpose of
21 this act as described in subsection (a)(2).

22 (c) To be eligible for an income tax credit or a sales tax exemption
23 under this act, a production company shall, prior to the commencement of
24 the project or of principal photography, submit the following to the
25 secretary of commerce in the form and manner and with such
26 documentation and other information as required by the secretary:

27 (1) An application for approval of the production as an eligible
28 production and for designation as a certified production;

29 (2) evidence of adequate financing for the project;

30 (3) evidence of a certificate of general liability insurance with a
31 minimum coverage of \$1,000,000, or a greater amount if required by the
32 secretary, and workers compensation coverage in compliance with Kansas
33 law that shall include coverage of employer liability;

34 (4) a description of the project, timelines and anticipated completion
35 dates, anticipated eligible expenditures and project activities to be
36 conducted in Kansas, anticipated employment of crew or above-the-line
37 personnel who are Kansas residents or use of Kansas-based vendors and
38 any anticipated construction or contribution of production infrastructure or
39 participation in Kansas film and digital media industry development
40 activities; and

41 (5) an economic impact statement showing the economic impact from
42 the activities of the project. Such economic impact statement shall indicate
43 the impact on the region of the state in which the project production or

1 production-related activities are conducted and any impact on the state as a
2 whole. The secretary may consider the size of the project when
3 determining the scope and information required.

4 (d) (1) If the secretary determines that the project is an eligible
5 project and approves the application, the production company shall enter
6 into an agreement with the secretary prior to the commencement of the
7 project on such terms and conditions as the secretary may require. Such
8 terms and conditions shall include, but not be limited to, qualified Kansas
9 promotions to be provided and any limitations the secretary may impose
10 on the amounts of eligible production or postproduction expenditures that
11 may be approved by the secretary as qualified expenditures, whether in
12 total or for specified eligible expenditures or specified eligible expenditure
13 categories.

14 (2) The production company shall agree to the provision of
15 documentation and information to the secretary or the secretary of revenue
16 on a regular basis as requested by the secretary or secretary of revenue to
17 determine qualified expenditures and compliance with the requirements of
18 this act and rules and regulations adopted by the secretary or the secretary
19 of revenue pursuant to this act. The production company shall agree to the
20 provision of information to the secretary on a regular basis as requested by
21 the secretary regarding the progress of the project and estimated
22 completion date.

23 (3) The terms and conditions shall include provisions for repayment
24 of income tax credits or sales tax exempted if requirements of this act or
25 rules and regulations are not met, provisions requiring cooperation with
26 any audit conducted pursuant to this act and provisions for submission of
27 information as required for publication on the Kansas economic incentive
28 database and for the secretary's reports to the legislature as provided by
29 section 5, and amendments thereto.

30 (4) The terms and conditions may also include agreements by the
31 production company for the facilitation of, coordination with or provision
32 of support services for Kansas businesses and organizations to enable
33 participation in the project or the development of the Kansas film and
34 digital media industry.

35 (5) If the secretary approves the agreement with the production
36 company, the secretary shall authorize the eligible project as a certified
37 project.

38 (e) Upon approval by the secretary as an eligible and certified project
39 and the execution of the agreement as provided in subsection (d), the
40 secretary may approve an application by the production company for a
41 sales tax exemption for production or postproduction expenditures
42 pursuant to the provisions of K.S.A. 79-3606(pppp), and amendments
43 thereto, and shall notify the applicant and the secretary of revenue of such

1 approval. In considering approval of such sales tax exemption, the
2 secretary shall prioritize expenditures in rural areas or in economically
3 depressed urban areas to the extent feasible. The secretary may require that
4 all or a portion of expenditures eligible for exemption from sales tax be
5 made with businesses located in such areas, as determined by the secretary.
6 A production company receiving a sales tax exemption shall provide the
7 secretary or the secretary of revenue with such documentation as requested
8 by the secretary or the secretary of revenue to demonstrate that
9 expenditures have been made as required.

10 (f) Prior to receipt by a production company of any income tax credit
11 authorized by section 4, and amendments thereto, the secretary shall
12 examine and determine, ~~in the sole discretion of the secretary,~~ the amount
13 of eligible production or eligible postproduction expenditures that are
14 qualified production expenditures or qualified postproduction expenditures
15 of the production company and that such expenditures are for a certified
16 production. No expenditure that was exempt from sales taxation pursuant
17 to K.S.A. 79-3606(pppp), and amendments thereto, shall also be a basis
18 for the income tax credit pursuant to section 4, and amendments thereto,
19 unless specifically approved by the secretary. The production company
20 shall provide such information and documentation as requested by the
21 secretary to make such determination. In addition, the production company
22 shall provide evidence as required by the secretary that:

23 (1) The production company has filed all Kansas tax returns and tax
24 documents required by law and withholding taxes have been submitted as
25 required by law;

26 (2) all crew who are Kansas residents and Kansas-based vendors have
27 been paid and that there are no pending liens in this state against the
28 production company; and

29 (3) the certified project for which a sales tax exemption has been
30 granted or an income tax credit is requested has been completed, or in the
31 discretion of the secretary, a phase of the certified project has been
32 completed and adequate assurance, as determined by the secretary, has
33 been provided that the project will be fully completed.

34 (g) As a condition of receiving any income tax credits pursuant to this
35 act, the production company shall provide the secretary with a report by a
36 certified public accountant licensed to practice in Kansas, prepared at the
37 expense of the applicant, verifying that the expenditures have been made
38 in compliance with the requirements of this act. The report shall be
39 provided with a claim for income tax credits as required by section 4, and
40 amendments thereto, or as required by the secretary.

41 (h) The secretary shall notify the production company and the
42 secretary of revenue of determinations of qualified expenditures made by
43 the secretary.

1 (i) The secretary of commerce and the secretary of revenue may
2 adopt rules and regulations to implement the provisions of this act.

3 New Sec. 4. (a) For tax years 2023 through 2032, for any production
4 company or its affiliates that make qualified production or qualified
5 postproduction expenditures for a certified production approved by the
6 secretary of commerce as provided by section 3, and amendments thereto,
7 there shall be allowed an income tax credit against the tax imposed under
8 the Kansas income tax act in the amount as determined pursuant to
9 subsection (d) as limited by subsection (h). The tax credit shall be applied
10 against the production company's income tax liability for the taxable year
11 in which the qualified expenditures are made by the production company.
12 If the amount of the tax credit allowed exceeds the production company's
13 income tax liability for the taxable year, ~~an amount equal to the remainder~~
14 ~~of the unused tax credits shall be refunded to the production company~~ *the*
15 *production company may carry over the amount of the tax credit that*
16 *exceeds such tax liability for deduction from the production company's*
17 *income tax liability in the next succeeding taxable year or years until the*
18 *total amount of the tax credit has been deducted from the production*
19 *company's tax liability, except that no such tax credit shall be carried*
20 *over for deduction after the 10th taxable year succeeding the year in*
21 *which the qualified expenditures were made by the production company.*

22 If the production company is a corporation having an election in effect
23 under subchapter S of the federal internal revenue code, a partnership or a
24 limited liability company, the credit ~~provided by this section~~ shall be
25 claimed by the shareholders of such corporation, the partners of such
26 partnership or members of such limited liability company in the same
27 manner as such shareholders, partners or members account for their
28 proportionate shares of the income or loss of the corporation, partnership
29 or limited liability company and in accordance with the agreement
30 executed pursuant to section 3, and amendments thereto. The tax credit
31 may be transferred as provided by subsection (k). ~~The aggregate total~~
32 ~~amount of credits allowed under this section shall not exceed \$10,000,000~~
33 ~~in a tax year. Ten percent of such aggregate total in each tax year shall be~~
34 ~~designated for tax credits to Kansas-based production companies.~~

35 (b) A claim for a tax credit shall be filed with the secretary of revenue
36 as part of a return filed by the production company pursuant to the Kansas
37 income tax act. The order that agreements are executed with the secretary
38 of commerce pursuant to section 3, and amendments thereto, shall
39 determine the order that credit claims are allocated by the secretary of
40 revenue. A claim shall be submitted with a return or amended return within
41 one calendar year of the date of the last eligible production expenditure or
42 the last eligible postproduction expenditure for the certified production
43 that would be eligible for an income tax credit as provided by subsection

1 (a). ***A request by a production company for an extension of time of up to***
2 ***six months to submit a claim shall be granted by the secretary of***
3 ***revenue.*** All qualified production expenditures or postproduction
4 expenditures incurred during the taxable year by a production company for
5 a certified production shall be submitted for credit as part of the same
6 income tax return. A tax credit claim for qualified expenditures during a
7 taxable year shall not be divided and submitted with multiple returns or in
8 multiple years.

9 (c) The claim shall include a copy of the project certification and the
10 determination of qualified production or postproduction expenditures by
11 the secretary of commerce. The claim shall also include a report by a
12 certified public accountant licensed to practice in Kansas, prepared at the
13 expense of the applicant, verifying that the expenditures have been made
14 in compliance with the requirements of this act.

15 (d) The amount of the tax credit shall be equal to 30% of:

16 (1) The qualified production expenditures for the certified project; or

17 (2) the qualified postproduction expenses for a certified project with
18 no qualified production expenses.

19 (e) The secretary of commerce may approve additional credits as
20 follows:

21 (1) In addition to the amount authorized by subsection (d)(1):

22 (A) Up to 5% of the qualified production expenditures for a certified
23 multi-film deal, a certified eligible television series, a certified high-impact
24 production or contributions to film-related infrastructure or workforce
25 development in Kansas, including, but not limited to, contributions to
26 permanent sets, sound stages, film editing facilities, computer graphics,
27 special effects or animation facilities, educational facilities or programs,
28 internships or apprenticeships or equipment for production activities, in
29 the amount such contributions are approved by the secretary of commerce;
30 or

31 (B) up to 5% for qualified production expenditures for a production if
32 50% or more of the crew or above-the-line personnel are Kansas residents;
33 or

34 (2) in addition to the amount authorized under subsection (d)(1) or
35 (2), up to an additional 5%, as determined by the secretary, of the amount
36 of the qualified production expenditures or qualified postproduction
37 expenditures, as applicable, of a certified project of a production company
38 that has previously received an income tax credit under this act with
39 respect to such certified project.

40 (f) In addition to or in lieu of the credits authorized by subsection (d),
41 as determined by the secretary, a Kansas-based production company that
42 incurs at least \$25,000 in qualified expenditures, including, but not limited to,
43 expenditures for a certified production not intended for multimarket

1 distribution but that otherwise constitute qualified expenditures and meets
2 all other qualifications for a tax credit under this act shall receive a
3 ~~nonrefundable~~ tax credit in the amount of 25% of such qualified
4 ~~production~~ expenditures. ***The tax credit shall be applied against the***
5 ***Kansas-based production company's income tax liability for the taxable***
6 ***year in which the qualified expenditures are made by the Kansas-based***
7 ***production company. If the amount of the tax credit exceeds the Kansas-***
8 ***based production company's income tax liability, the Kansas-based***
9 ***production company may carry over the amount of the tax credit that***
10 ***exceeds such tax liability for deduction from the Kansas-based***
11 ***production company's income tax liability in the next succeeding taxable***
12 ***year or years until the total amount of the tax credit has been deducted***
13 ***from the Kansas-based production company's tax liability, except that no***
14 ***such tax credit shall be carried over for deduction after the 10th taxable***
15 ***year succeeding the year in which the qualified expenditures were made***
16 ***by the Kansas-based production company. If the Kansas-based***
17 ***production company is a corporation having an election in effect under***
18 ***subchapter S of the federal internal revenue code, a partnership or a***
19 ***limited liability company, the credit shall be claimed by the shareholders***
20 ***of such corporation, the partners of such partnership or members of***
21 ***such limited liability company in the same manner as such shareholders,***
22 ***partners or members account for their proportionate shares of the***
23 ***income or loss of the corporation, partnership or limited liability***
24 ***company and in accordance with the agreement executed pursuant to***
25 ***section 3, and amendments thereto. The tax credit may be transferred as***
26 ***provided by subsection (k).***

27 (g) Notwithstanding any other provision of this act, the tax credit
28 amount based on a production or postproduction expenditure for a single
29 individual who meets the definition of individuals who are above-the-line,
30 nonresident personnel shall be limited to not more than \$500,000 in each
31 taxable year.

32 (h) The maximum cumulative amount of all income tax credits
33 awarded to a production company for a certified project for a taxable year
34 shall not exceed 40% of the total qualified production expenditures or
35 qualified postproduction expenditures made by the production company
36 for that certified project during that taxable year.

37 (i) For purposes of determining the payment of credit claims pursuant
38 to this section, the secretary of revenue may require that credit claims of
39 affiliates be combined into one claim if necessary to accurately reflect
40 closely integrated activities of affiliates.

41 (j) If a production company hires another production company to
42 produce a project or contribute elements of a project for pay, the hired
43 company shall be considered a service provider for the hiring company,

1 and the hiring company shall be entitled to the income tax credit
2 authorized by this section.

3 (k) The tax credit allowed pursuant to this section may be transferred,
4 in whole or in part, by the production company or, as provided by
5 subsection (a), a shareholder, partner or member, to one or more
6 transferees. The transferor shall provide notification and documentation of
7 the transfer or transfers with its claim for a tax credit pursuant to
8 subsection (b) filed with the secretary of revenue in such form and manner
9 as may be required by the secretary of revenue, including all information
10 requested by the secretary of revenue regarding the transferee. The
11 transferor shall make the transfer within the calendar year in which the
12 transferor's claim is made to the secretary of revenue. The credit shall only
13 be transferred once. The transferor may transfer the credit to any
14 individual or entity subject to income tax under the Kansas income tax act.
15 The transferred credit shall be claimed by the transferee against the
16 transferee's Kansas income tax liability in the *taxable* year the credit was
17 transferred. The amount of the transferred credit that exceeds the
18 transferee's tax liability for such year ~~shall be refunded to the transferee~~
19 *may be carried over for deduction from the transferee's income tax*
20 *liability in the next succeeding taxable year or years until the total*
21 *amount of the tax credit has been deducted from the transferee's tax*
22 *liability, except that no such tax credit shall be carried over for*
23 *deduction after the 10th taxable year succeeding the taxable year in*
24 *which the credit was transferred to the transferee. The transferor or*
25 *transferee shall provide such documentation of the transfer to the secretary*
26 *of revenue as may be required by the secretary and at such time as may be*
27 *required by the secretary.*

28 (l) *The aggregate total amount of credits allowed under this section*
29 *shall not exceed \$10,000,000 in a tax year. Ten percent of such*
30 *aggregate total in each tax year shall be designated for tax credits to*
31 *Kansas-based production companies.*

32 New Sec. 5. On or before January 31, 2024, and each January 31
33 through January 31, 2033, the secretary of commerce shall submit an
34 annual report to the house of representatives standing committees on
35 commerce, labor and economic development and taxation and the senate
36 standing committees on commerce and assessment and taxation. The
37 report shall include the amounts and recipients of tax incentives approved
38 by the secretary pursuant to this act for the prior year and to the date of the
39 report, anticipated tax incentive amounts for the current year, the
40 production companies that have applied for and that have been certified for
41 projects, a description of ongoing and completed projects and the impact
42 of such projects and the program on the film, video or digital production
43 industry in Kansas. The secretary of revenue shall provide the secretary of

1 commerce with information as necessary for the report in accordance with
2 the terms of the agreements required by section 3, and amendments
3 thereto.

4 New Sec. 6. No sales tax exemption or income tax credit pursuant to
5 this act shall apply or be awarded for expenditures made on or after
6 January 1, 2033.

7 ~~New Sec. 7.—(a) The secretary of commerce is hereby authorized and~~
8 ~~empowered to award grants for educational purposes or programs to~~
9 ~~develop and support the Kansas film and digital media industry. The~~
10 ~~purpose of such grants is to develop, expand and improve Kansas~~
11 ~~educational programs directly relevant to development and support of the~~
12 ~~film and digital media industry in this state. The secretary is authorized to~~
13 ~~award such grants to not-for-profit postsecondary educational institutions~~
14 ~~with a main campus or principal operations in Kansas, including public or~~
15 ~~private four-year universities or colleges, community colleges or technical~~
16 ~~colleges established under the laws of this state or the Washburn institute~~
17 ~~of technology. In awarding such grants, the secretary shall select such~~
18 ~~institutions that are engaged in or that seek to engage in educational~~
19 ~~programs or activities related to film, media, digital technology, gaming or~~
20 ~~other evolving areas of the film and digital media industry in Kansas. The~~
21 ~~secretary shall not award grants pursuant to this section on or after January~~
22 ~~1, 2033.~~

23 ~~(b) (1) There is hereby established in the state treasury the Kansas~~
24 ~~film and digital media production development act education fund to be~~
25 ~~administered by the secretary of commerce. All moneys credited to such~~
26 ~~fund shall be used to provide grants for the expansion of film and digital~~
27 ~~media production-related education in the state of Kansas and the~~
28 ~~administration of such fund. All expenditures from such fund shall be~~
29 ~~made in accordance with the provisions of appropriation acts and upon~~
30 ~~warrants of the director of accounts and reports issued pursuant to~~
31 ~~vouchers approved by the secretary of commerce or the secretary's~~
32 ~~designee.~~

33 ~~(2) The secretary shall remit any moneys received pursuant to any~~
34 ~~penalties or any repayment obligations imposed by the secretary pursuant~~
35 ~~to this section to the state treasurer in accordance with the provisions of~~
36 ~~K.S.A. 75-4215, and amendments thereto. Upon receipt of each such~~
37 ~~remittance, the state treasurer shall deposit the entire amount in the state~~
38 ~~treasury to the credit of the Kansas film and digital media production-~~
39 ~~development act education fund.~~

40 ~~(c) (1) Grants made by the secretary of commerce from the Kansas~~
41 ~~film and digital media production development act education fund shall be~~
42 ~~used for educational purposes, including, but not limited to:~~

43 ~~(A) Internships and apprenticeship programs;~~

1 ~~(B) scholarships and loan forgiveness programs;~~

2 ~~(C) curriculum development and staffing; or~~

3 ~~(D) resources such as lab facilities or equipment.~~

4 ~~(2) Such grants shall be awarded upon such terms and conditions as~~
5 ~~the secretary of commerce may deem appropriate. Such terms and~~
6 ~~conditions shall:~~

7 ~~(A) Require that scholarship or loan forgiveness programs that~~
8 ~~receive grant funding require student scholarship or loan forgiveness~~
9 ~~recipients to agree to reside in Kansas and work primarily in Kansas or~~
10 ~~with a Kansas-based company, when possible, for at least two years~~
11 ~~following completion of an educational program;~~

12 ~~(B) include specified objectives and milestones as agreed by the~~
13 ~~Kansas educational institution grant recipient and the secretary, including,~~
14 ~~but not limited to, graduate job placement goals; and~~

15 ~~(C) require the Kansas educational institution to provide information~~
16 ~~as requested by the secretary for purposes of administering the grant~~
17 ~~program, monitoring the use of funds and the achievement of milestones~~
18 ~~and objectives and preparation of the report required by subsection (e).~~

19 ~~(d) (1) Subject to appropriation acts, on July 1, 2023, and each July 1~~
20 ~~thereafter through July 1, 2032, the director of accounts and reports shall~~
21 ~~transfer \$1,000,000 from the state general fund to the Kansas film and~~
22 ~~digital media production development act education fund. Any~~
23 ~~unexpended balance in such fund at the close of a fiscal year shall remain~~
24 ~~credited to the fund for use in the succeeding fiscal year.~~

25 ~~(2) On January 1, 2033, the director of accounts and reports shall~~
26 ~~transfer all unencumbered moneys in the Kansas film and digital media~~
27 ~~production development act education fund to the state general fund. After~~
28 ~~such transfer and the disbursement of any encumbered funds pursuant to~~
29 ~~grant awards made prior to January 1, 2033, the Kansas film and digital~~
30 ~~media production development act education fund shall be abolished.~~
31 ~~Upon abolishment of such fund, all liabilities of the Kansas film and~~
32 ~~digital media production development act education fund shall be~~
33 ~~transferred to and imposed on the state general fund.~~

34 ~~(e) On or before January 31, 2024, and each January 31 through~~
35 ~~January 31, 2033, the secretary of commerce shall submit an annual report~~
36 ~~to the house of representatives standing committee on commerce, labor~~
37 ~~and economic development and the senate standing committee on~~
38 ~~commerce on the administration of the Kansas film and digital media~~
39 ~~production development act education fund and all grants awarded from~~
40 ~~the fund. Such report shall contain specific and aggregate information~~
41 ~~regarding all expenditures from the fund, the Kansas educational~~
42 ~~institutions receiving grants, the amount of funds expended for each grant,~~
43 ~~the reason and purpose for which each grant was approved, including how~~

1 it was intended to further the purposes of the fund, the actual use of such
2 grant funds by the Kansas educational institution and the accomplishment
3 or progress made by the educational institution toward agreed milestones
4 and objectives.

5 ~~New Sec. 8.—(a) The secretary of commerce is hereby authorized and~~
6 ~~empowered to award grants or loans from the Kansas film and digital~~
7 ~~media production development act workforce training and business direct~~
8 ~~investment fund in connection with projects certified by the secretary~~
9 ~~pursuant to section 3, and amendments thereto. The secretary shall award~~
10 ~~such grants or loans for the purpose of facilitating and supporting certified~~
11 ~~projects and developing the Kansas film and digital media industry by~~
12 ~~funding workforce training and by investing directly in Kansas companies~~
13 ~~engaged in or seeking to engage in certified projects. The secretary shall~~
14 ~~not award grants or loans pursuant to this section on or after January 1,~~
15 ~~2033.~~

16 ~~(b) (1) There is hereby established in the state treasury the Kansas~~
17 ~~film and digital media production development act workforce training and~~
18 ~~business direct investment fund to be administered by the secretary of~~
19 ~~commerce. All moneys credited to such fund shall be used to provide~~
20 ~~grants or loans as provided by this section for the support of workforce~~
21 ~~training and direct investment in Kansas companies in relation to certified~~
22 ~~film or digital media production projects, the development of the Kansas~~
23 ~~film and digital media industry and the administration of such fund. All~~
24 ~~expenditures from such fund shall be made in accordance with the~~
25 ~~provisions of appropriation acts and upon warrants of the director of~~
26 ~~accounts and reports issued pursuant to vouchers approved by the~~
27 ~~secretary of commerce or the secretary's designee.~~

28 ~~(2) The secretary of commerce shall remit any moneys received~~
29 ~~pursuant to loan repayments, interest, any penalties or any other repayment~~
30 ~~obligations imposed by the secretary pursuant to this section to the state~~
31 ~~treasurer in accordance with the provisions of K.S.A. 75-4215, and~~
32 ~~amendments thereto. Upon receipt of each such remittance, the state~~
33 ~~treasurer shall deposit the entire amount in the state treasury to the credit~~
34 ~~of the Kansas film and digital media production development act~~
35 ~~workforce training and business direct investment fund.~~

36 ~~(c) (1) Grants made by the secretary of commerce from the Kansas~~
37 ~~film and digital media production development act workforce training and~~
38 ~~business direct investment fund shall be used for workforce development~~
39 ~~purposes, including, but not limited to:~~

40 ~~(A) Apprenticeship programs for Kansas residents;~~

41 ~~(B) crew training for Kansas residents, including:~~

42 ~~(i) Training provided by not-for-profit postsecondary educational~~
43 ~~institutions with a main campus or principal operations in Kansas selected~~

1 by the secretary, including four-year public or private educational
2 institutions, public community colleges or public technical schools
3 established under the laws of this state or the Washburn institute of
4 technology; or

5 (ii) employee training provided by any production company or a
6 Kansas company involved in the film and digital media industry and
7 engaged in a certified project; or

8 (C) development of training models, in coordination and cooperation
9 with the film and digital media production industry, for use by Kansas
10 educational institutions.

11 (2) Such grants shall be upon such terms and conditions as the
12 secretary of commerce may deem appropriate. Such terms and conditions
13 shall include an agreement by the grant recipient to provide information as
14 requested by the secretary for purposes of administering the grant
15 program, monitoring the use of funds and preparation of the report
16 required by subsection (f).

17 (d) (1) Direct investments made by the secretary of commerce from
18 the Kansas film and digital media production development act workforce
19 training and business direct investment fund shall be used for investing in
20 Kansas film and digital media production industry companies that will or
21 seek to be engaged in certified projects, including Kansas-based
22 production companies or Kansas businesses that are offering personnel,
23 services, facilities, leases or rentals or that are offering, engaged in or
24 seeking to engage in other production or postproduction-related business
25 activities. Investments may be made in Kansas start-ups, Kansas
26 businesses seeking to expand into the film and digital media production
27 industry or established Kansas businesses in such industry.

28 (2) Direct investments shall be comprised of a loan component in the
29 amount of 80% and a grant component in the amount of 20% of the total
30 award of funds to the recipient. The investment shall be made upon such
31 terms and conditions as the secretary of commerce may deem appropriate.
32 Such terms and conditions shall:

33 (A) Include specified objectives and milestones as required by the
34 secretary and provisions for repayment of the grant or loan if conditions
35 specified by the secretary are not met; and

36 (B) require the recipient to provide information as requested by the
37 secretary for purposes of administering the direct investment program,
38 monitoring the use of funds and achievement of milestones and objectives
39 and preparation of the report required by subsection (f).

40 (e) (1) Subject to appropriation acts, on July 1, 2024, and each July 1
41 thereafter through July 1, 2032, the director of accounts and reports shall
42 transfer \$1,000,000 from the state general fund to the Kansas film and
43 digital media production development act workforce training and business

1 direct investment fund. Any unexpended balance in such fund at the close
2 of a fiscal year shall remain credited to the fund for use in the succeeding
3 fiscal year.

4 ~~(2) On January 1, 2033, the director of accounts and reports shall~~
5 ~~transfer all unencumbered moneys in the Kansas film and digital media~~
6 ~~production development act workforce training and business direct~~
7 ~~investment fund to the state general fund. After such transfer and the~~
8 ~~disbursement of any encumbered funds pursuant to awards made prior to~~
9 ~~January 1, 2033, the Kansas film and digital media production~~
10 ~~development act workforce training and business direct investment fund~~
11 ~~shall be abolished. Upon abolishment of such fund, all liabilities of the~~
12 ~~Kansas film and digital media production development act workforce~~
13 ~~training and business direct investment fund shall be transferred to and~~
14 ~~imposed on the state general fund.~~

15 ~~(f) On or before January 31, 2024, and each January 31 thereafter~~
16 ~~through January 31, 2033, the secretary of commerce shall submit an~~
17 ~~annual report to the house of representatives standing committee on~~
18 ~~commerce, labor and economic development and the senate standing~~
19 ~~committee on commerce on the administration of the Kansas film and~~
20 ~~digital media production development act workforce training and business~~
21 ~~direct investment fund and all grants or loans awarded from the fund. Such~~
22 ~~report shall contain specific and aggregate information regarding all~~
23 ~~expenditures from the fund, the businesses or Kansas postsecondary~~
24 ~~educational institutions receiving funds, the amount of funds expended for~~
25 ~~each grant or loan, the reason and purpose for which each grant or loan~~
26 ~~was approved, including how it was intended to further the purposes of the~~
27 ~~Kansas film and digital media production development act project~~
28 ~~workforce training and business direct investment fund, the actual use of~~
29 ~~the grant or loan funds by the recipient and the accomplishment of or~~
30 ~~progress made toward agreed milestones and objectives.~~

31 ~~Sec. 9: 7. K.S.A. 2022 Supp. 79-3606 is hereby amended to read as~~
32 ~~follows: 79-3606. The following shall be exempt from the tax imposed by~~
33 ~~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, public hospital authority, nonprofit blood, tissue or organ bank or
9 nonprofit integrated community care organization and used exclusively for
10 state, political subdivision, hospital, public hospital authority, nonprofit
11 blood, tissue or organ bank or nonprofit integrated community care
12 organization purposes, except when: (1) Such state, hospital or public
13 hospital authority is engaged or proposes to engage in any business
14 specifically taxable under the provisions of this act and such items of
15 tangible personal property or service are used or proposed to be used in
16 such business; or (2) such political subdivision is engaged or proposes to
17 engage in the business of furnishing gas, electricity or heat to others and
18 such items of personal property or service are used or proposed to be used
19 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, except that such
29 exemption shall apply to the erection, construction, repair, enlargement or
30 equipment of buildings used for human habitation by the cerebral palsy
31 research foundation of Kansas located in Wichita, Kansas, and multi
32 community diversified services, incorporated, located in McPherson,
33 Kansas;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38 (r) all sales of oxygen delivery equipment, kidney dialysis equipment,
39 enteral feeding systems, prosthetic devices and mobility enhancing
40 equipment prescribed in writing by a person licensed to practice the
41 healing arts, dentistry or optometry, and in addition to such sales, all sales
42 of hearing aids, as defined by K.S.A. 74-5807(c), and amendments thereto,
43 and repair and replacement parts therefor, including batteries, by a person

1 licensed in the practice of dispensing and fitting hearing aids pursuant to
2 the provisions of K.S.A. 74-5808, and amendments thereto. For the
3 purposes of this subsection: (1) "Mobility enhancing equipment" means
4 equipment including repair and replacement parts to same, but does not
5 include durable medical equipment, which is primarily and customarily
6 used to provide or increase the ability to move from one place to another
7 and which is appropriate for use either in a home or a motor vehicle; is not
8 generally used by persons with normal mobility; and does not include any
9 motor vehicle or equipment on a motor vehicle normally provided by a
10 motor vehicle manufacturer; and (2) "prosthetic device" means a
11 replacement, corrective or supportive device including repair and
12 replacement parts for same worn on or in the body to artificially replace a
13 missing portion of the body, prevent or correct physical deformity or
14 malfunction or support a weak or deformed portion of the body;

15 (s) except as provided in K.S.A. 82a-2101, and amendments thereto,
16 all sales of tangible personal property or services purchased directly or
17 indirectly by a groundwater management district organized or operating
18 under the authority of K.S.A. 82a-1020 et seq., and amendments thereto,
19 by a rural water district organized or operating under the authority of
20 K.S.A. 82a-612, and amendments thereto, or by a water supply district
21 organized or operating under the authority of K.S.A. 19-3501 et seq., 19-
22 3522 et seq. or 19-3545, and amendments thereto, which property or
23 services are used in the construction activities, operation or maintenance of
24 the district;

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

1 machinery and equipment or aquaculture machinery and equipment
2 exempted herein must certify in writing on the copy of the invoice or sales
3 ticket to be retained by the seller that the farm machinery and equipment
4 or aquaculture machinery and equipment purchased will be used only in
5 farming, ranching or aquaculture production. Farming or ranching shall
6 include the operation of a feedlot and farm and ranch work for hire and the
7 operation of a nursery;

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

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

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

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

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

42 (z) all sales of tangible personal property and services purchased
43 directly by a port authority or by a contractor therefor as provided by the

1 provisions of K.S.A. 12-3418, and amendments thereto;

2 (aa) all sales of materials and services applied to equipment that is
3 transported into the state from without the state for repair, service,
4 alteration, maintenance, remanufacture or modification and that is
5 subsequently transported outside the state for use in the transmission of
6 liquids or natural gas by means of pipeline in interstate or foreign
7 commerce under authority of the laws of the United States;

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

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

1 to the penalties provided for in K.S.A. 79-3615(h), and amendments
2 thereto. As used in this subsection, "business" and "retail business" mean
3 the same as defined in K.S.A. 74-50,114, and amendments thereto. Project
4 exemption certificates that have been previously issued under this
5 subsection by the department of revenue pursuant to K.S.A. 74-50,115,
6 and amendments thereto, but not including K.S.A. 74-50,115(e), and
7 amendments thereto, prior to January 1, 2012, and have not expired will be
8 effective for the term of the project or two years from the effective date of
9 the certificate, whichever occurs earlier. Project exemption certificates that
10 are submitted to the department of revenue prior to January 1, 2012, and
11 are found to qualify will be issued a project exemption certificate that will
12 be effective for a two-year period or for the term of the project, whichever
13 occurs earlier;

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

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

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

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

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

39 (ii) all sales of tangible personal property purchased directly by a
40 nonprofit organization for nonsectarian comprehensive multidiscipline
41 youth development programs and activities provided or sponsored by such
42 organization, and all sales of tangible personal property by or on behalf of
43 any such organization. This exemption shall not apply to tangible personal

1 property customarily used for human habitation purposes;

2 (jj) all sales of tangible personal property or services, including the
3 renting and leasing of tangible personal property, purchased directly on
4 behalf of a community-based facility for people with intellectual disability
5 or mental health center organized pursuant to K.S.A. 19-4001 et seq., and
6 amendments thereto, and licensed in accordance with the provisions of
7 K.S.A. 39-2001 et seq., and amendments thereto, and all sales of tangible
8 personal property or services purchased by contractors during the time
9 period from July, 2003, through June, 2006, for the purpose of
10 constructing, equipping, maintaining or furnishing a new facility for a
11 community-based facility for people with intellectual disability or mental
12 health center located in Riverton, Cherokee County, Kansas, that would
13 have been eligible for sales tax exemption pursuant to this subsection if
14 purchased directly by such facility or center. This exemption shall not
15 apply to tangible personal property customarily used for human habitation
16 purposes;

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

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

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

24 (2) For purposes of this subsection:

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

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

38 (C) "manufacturing or processing plant or facility" means a single,
39 fixed location owned or controlled by a manufacturing or processing
40 business that consists of one or more structures or buildings in a
41 contiguous area where integrated production operations are conducted to
42 manufacture or process tangible personal property to be ultimately sold at
43 retail. Such term shall not include any facility primarily operated for the

1 purpose of conveying or assisting in the conveyance of natural gas,
2 electricity, oil or water. A business may operate one or more manufacturing
3 or processing plants or facilities at different locations to manufacture or
4 process a single product of tangible personal property to be ultimately sold
5 at retail;

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

39 (E) "repair and replacement parts and accessories" means all parts
40 and accessories for exempt machinery and equipment, including, but not
41 limited to, dies, jigs, molds, patterns and safety devices that are attached to
42 exempt machinery or that are otherwise used in production, and parts and
43 accessories that require periodic replacement such as belts, drill bits,

1 grinding wheels, grinding balls, cutting bars, saws, refractory brick and
2 other refractory items for exempt kiln equipment used in production
3 operations;

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

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

8 (A) Receive, transport, convey, handle, treat or store raw materials in
9 preparation of its placement on the production line;

10 (B) transport, convey, handle or store the property undergoing
11 manufacturing or processing at any point from the beginning of the
12 production line through any warehousing or distribution operation of the
13 final product that occurs at the plant or facility;

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

16 (D) guide, control or direct the movement of property undergoing
17 manufacturing or processing;

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

21 (F) plan, manage, control or record the receipt and flow of inventories
22 of raw materials, consumables and component parts, the flow of the
23 property undergoing manufacturing or processing and the management of
24 inventories of the finished product;

25 (G) produce energy for, lubricate, control the operating of or
26 otherwise enable the functioning of other production machinery and
27 equipment and the continuation of production operations;

28 (H) package the property being manufactured or processed in a
29 container or wrapping in which such property is normally sold or
30 transported;

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

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

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

43 (L) treat, transport or store waste or other byproducts of production

1 operations at the plant or facility; or

2 (M) control pollution at the plant or facility where the pollution is
3 produced by the manufacturing or processing operation.

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

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

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

36 (B) machinery, equipment and tools used primarily in maintaining
37 and repairing any type of machinery and equipment or the building and
38 plant;

39 (C) transportation, transmission and distribution equipment not
40 primarily used in a production, warehousing or material handling
41 operation at the plant or facility, including the means of conveyance of
42 natural gas, electricity, oil or water, and equipment related thereto, located
43 outside the plant or facility;

1 (D) office machines and equipment including computers and related
2 peripheral equipment not used directly and primarily to control or measure
3 the manufacturing process;

4 (E) furniture and other furnishings;

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

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

11 (H) machinery and equipment used for general plant heating, cooling
12 and lighting;

13 (I) motor vehicles that are registered for operation on public
14 highways; or

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

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

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

28 (ll) all sales of educational materials purchased for distribution to the
29 public at no charge by a nonprofit corporation organized for the purpose of
30 encouraging, fostering and conducting programs for the improvement of
31 public health, except that for taxable years commencing after December
32 31, 2013, this subsection shall not apply to any sales of such materials
33 purchased by a nonprofit corporation which performs any abortion, as
34 defined in K.S.A. 65-6701, and amendments thereto;

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

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

42 (oo) all sales of tangible personal property purchased by a community
43 action group or agency for the exclusive purpose of repairing or

1 weatherizing housing occupied by low-income individuals;

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

4 (qq) all sales of tangible personal property and services purchased by
5 a nonprofit museum or historical society or any combination thereof,
6 including a nonprofit organization that is organized for the purpose of
7 stimulating public interest in the exploration of space by providing
8 educational information, exhibits and experiences, that is exempt from
9 federal income taxation pursuant to section 501(c)(3) of the federal
10 internal revenue code of 1986;

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

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

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

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

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

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

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

42 (3) the Kansas mental illness awareness council for the purposes of
43 advocacy for persons who are mentally ill and for education, research and

1 support for them and their families;

2 (4) the American diabetes association Kansas affiliate, inc. for the
3 purpose of eliminating diabetes through medical research, public education
4 focusing on disease prevention and education, patient education including
5 information on coping with diabetes, and professional education and
6 training;

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

12 (6) the Kansas chapters of the Alzheimer's disease and related
13 disorders association, inc. for the purpose of providing assistance and
14 support to persons in Kansas with Alzheimer's disease, and their families
15 and caregivers;

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

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

22 (9) the heartstrings community foundation for the purpose of
23 providing training, employment and activities for adults with
24 developmental disabilities;

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

28 (11) the spina bifida association of Kansas for the purpose of
29 providing financial, educational and practical aid to families and
30 individuals with spina bifida. Such aid includes, but is not limited to,
31 funding for medical devices, counseling and medical educational
32 opportunities;

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

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

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

43 (15) the KSDS, Inc., for the purpose of promoting the independence

1 and inclusion of people with disabilities as fully participating and
2 contributing members of their communities and society through the
3 training and providing of guide and service dogs to people with
4 disabilities, and providing disability education and awareness to the
5 general public;

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

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

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

15 (19) the international association of lions clubs for the purpose of
16 creating and fostering a spirit of understanding among all people for
17 humanitarian needs by providing voluntary services through community
18 involvement and international cooperation;

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

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

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

29 (23) the angel babies association, for the purpose of providing
30 assistance, support and items of necessity to teenage mothers and their
31 babies; and

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

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

37 (xx) all sales of tangible personal property and services purchased by
38 a nonprofit zoo that is exempt from federal income taxation pursuant to
39 section 501(c)(3) of the federal internal revenue code of 1986, or on behalf
40 of such zoo by an entity itself exempt from federal income taxation
41 pursuant to section 501(c)(3) of the federal internal revenue code of 1986
42 contracted with to operate such zoo and all sales of tangible personal
43 property or services purchased by a contractor for the purpose of

1 constructing, equipping, reconstructing, maintaining, repairing, enlarging,
2 furnishing or remodeling facilities for any nonprofit zoo that would be
3 exempt from taxation under the provisions of this section if purchased
4 directly by such nonprofit zoo or the entity operating such zoo. Nothing in
5 this subsection shall be deemed to exempt the purchase of any construction
6 machinery, equipment or tools used in the constructing, equipping,
7 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling
8 facilities for any nonprofit zoo. When any nonprofit zoo shall contract for
9 the purpose of constructing, equipping, reconstructing, maintaining,
10 repairing, enlarging, furnishing or remodeling facilities, it shall obtain
11 from the state and furnish to the contractor an exemption certificate for the
12 project involved, and the contractor may purchase materials for
13 incorporation in such project. The contractor shall furnish the number of
14 such certificate to all suppliers from whom such purchases are made, and
15 such suppliers shall execute invoices covering the same bearing the
16 number of such certificate. Upon completion of the project the contractor
17 shall furnish to the nonprofit zoo concerned a sworn statement, on a form
18 to be provided by the director of taxation, that all purchases so made were
19 entitled to exemption under this subsection. All invoices shall be held by
20 the contractor for a period of five years and shall be subject to audit by the
21 director of taxation. If any materials purchased under such a certificate are
22 found not to have been incorporated in the building or other project or not
23 to have been returned for credit or the sales or compensating tax otherwise
24 imposed upon such materials that will not be so incorporated in the
25 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, the
29 nonprofit zoo concerned shall be liable for tax on all materials purchased
30 for the project, and upon payment thereof it may recover the same from
31 the contractor together with reasonable attorney fees. Any contractor or
32 any 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 (yy) all sales of tangible personal property and services purchased by
40 a parent-teacher association or organization, and all sales of tangible
41 personal property by or on behalf of such association or organization;

42 (zz) all sales of machinery and equipment purchased by over-the-air,
43 free access radio or television station that is used directly and primarily for

1 the purpose of producing a broadcast signal or is such that the failure of
2 the machinery or equipment to operate would cause broadcasting to cease.
3 For purposes of this subsection, machinery and equipment shall include,
4 but not be limited to, that required by rules and regulations of the federal
5 communications commission, and all sales of electricity which are
6 essential or necessary for the purpose of producing a broadcast signal or is
7 such that the failure of the electricity would cause broadcasting to cease;

8 (aaa) all sales of tangible personal property and services purchased by
9 a religious organization that is exempt from federal income taxation
10 pursuant to section 501(c)(3) of the federal internal revenue code, and used
11 exclusively for religious purposes, and all sales of tangible personal
12 property or services purchased by a contractor for the purpose of
13 constructing, equipping, reconstructing, maintaining, repairing, enlarging,
14 furnishing or remodeling facilities for any such organization that would be
15 exempt from taxation under the provisions of this section if purchased
16 directly by such organization. Nothing in this subsection shall be deemed
17 to exempt the purchase of any construction machinery, equipment or tools
18 used in the constructing, equipping, reconstructing, maintaining, repairing,
19 enlarging, furnishing or remodeling facilities for any such organization.
20 When any such organization shall contract for the purpose of constructing,
21 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or
22 remodeling facilities, it shall obtain from the state and furnish to the
23 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 certificate to all suppliers from
26 whom 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 such organization
29 concerned a sworn statement, on a form to be provided by the director of
30 taxation, that all purchases so made were entitled to exemption under this
31 subsection. All invoices shall be held by the contractor for a period of five
32 years and shall be subject to audit by the director of taxation. If any
33 materials purchased under such a certificate are found not to have been
34 incorporated in the building or other project or not to have been returned
35 for credit or the sales or compensating tax otherwise imposed upon such
36 materials that will not be so incorporated in the building or other project
37 reported and paid by such contractor to the director of taxation not later
38 than the 20th day of the month following the close of the month in which it
39 shall be determined that such materials will not be used for the purpose for
40 which such certificate was issued, such organization concerned shall be
41 liable for tax on all materials purchased for the project, and upon payment
42 thereof it may recover the same from the contractor together with
43 reasonable attorney fees. Any contractor or any agent, employee or

1 subcontractor thereof, who shall use or otherwise dispose of any materials
2 purchased under such a certificate for any purpose other than that for
3 which such a certificate is issued without the payment of the sales or
4 compensating tax otherwise imposed upon such materials, shall be guilty
5 of a misdemeanor and, upon conviction therefor, shall be subject to the
6 penalties provided for in K.S.A. 79-3615(h), and amendments thereto.
7 Sales tax paid on and after July 1, 1998, but prior to the effective date of
8 this act upon the gross receipts received from any sale exempted by the
9 amendatory provisions of this subsection shall be refunded. Each claim for
10 a sales tax refund shall be verified and submitted to the director of taxation
11 upon forms furnished by the director and shall be accompanied by any
12 additional documentation required by the director. The director shall
13 review each claim and shall refund that amount of sales tax paid as
14 determined under the provisions of this subsection. All refunds shall be
15 paid from the sales tax refund fund upon warrants of the director of
16 accounts and reports pursuant to vouchers approved by the director or the
17 director's designee;

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

23 (ccc) on and after July 1, 1999, all sales of tangible personal property
24 and services purchased by a primary care clinic or health center the
25 primary purpose of which is to provide services to medically underserved
26 individuals and families, and that is exempt from federal income taxation
27 pursuant to section 501(c)(3) of the federal internal revenue code, and all
28 sales of tangible personal property or services purchased by a contractor
29 for the purpose of constructing, equipping, reconstructing, maintaining,
30 repairing, enlarging, furnishing or remodeling facilities for any such clinic
31 or center that would be exempt from taxation under the provisions of this
32 section if purchased directly by such clinic or center, except that for
33 taxable years commencing after December 31, 2013, this subsection shall
34 not apply to any sales of such tangible personal property and services
35 purchased by a primary care clinic or health center which performs any
36 abortion, as defined in K.S.A. 65-6701, and amendments thereto. Nothing
37 in this subsection shall be deemed to exempt the purchase of any
38 construction machinery, equipment or tools used in the constructing,
39 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or
40 remodeling facilities for any such clinic or center. When any such clinic or
41 center 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 clinic or center concerned a
7 sworn statement, on a form to be provided by the director of taxation, that
8 all purchases so made were entitled to exemption under this subsection.
9 All invoices shall be held by the contractor for a period of five years and
10 shall be subject to audit by the director of taxation. If any materials
11 purchased under such a certificate are found not to have been incorporated
12 in the building or other project or not to have been returned for credit or
13 the sales or compensating tax otherwise imposed upon such materials that
14 will not be so incorporated in the building or other project reported and
15 paid by such contractor to the director of taxation not later than the 20th
16 day of the month following the close of the month in which it shall be
17 determined that such materials will not be used for the purpose for which
18 such certificate was issued, such clinic or center concerned shall be liable
19 for tax on all materials purchased for the project, and upon payment
20 thereof it may recover the same from the contractor together with
21 reasonable attorney fees. Any contractor or any agent, employee or
22 subcontractor thereof, who shall use or otherwise dispose of any materials
23 purchased under such a certificate for any purpose other than that for
24 which such a certificate is issued without the payment of the sales or
25 compensating tax otherwise imposed upon such materials, shall be guilty
26 of a misdemeanor and, upon conviction therefor, shall be subject to the
27 penalties provided for in K.S.A. 79-3615(h), and amendments thereto;

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

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

43 (fff) all sales of material handling equipment, racking systems and

1 other related machinery and equipment that is used for the handling,
2 movement or storage of tangible personal property in a warehouse or
3 distribution facility in this state; all sales of installation, repair and
4 maintenance services performed on such machinery and equipment; and
5 all sales of repair and replacement parts for such machinery and
6 equipment. For purposes of this subsection, a warehouse or distribution
7 facility means a single, fixed location that consists of buildings or
8 structures in a contiguous area where storage or distribution operations are
9 conducted that are separate and apart from the business' retail operations,
10 if any, and that do not otherwise qualify for exemption as occurring at a
11 manufacturing or processing plant or facility. Material handling and
12 storage equipment shall include aeration, dust control, cleaning, handling
13 and other such equipment that is used in a public grain warehouse or other
14 commercial grain storage facility, whether used for grain handling, grain
15 storage, grain refining or processing, or other grain treatment operation;

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

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

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

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

39 (jjj) all sales of dietary supplements dispensed pursuant to a
40 prescription order by a licensed practitioner or a mid-level practitioner as
41 defined by K.S.A. 65-1626, and amendments thereto. As used in this
42 subsection, "dietary supplement" means any product, other than tobacco,
43 intended to supplement the diet that: (1) Contains one or more of the

1 following dietary ingredients: A vitamin, a mineral, an herb or other
2 botanical, an amino acid, a dietary substance for use by humans to
3 supplement the diet by increasing the total dietary intake or a concentrate,
4 metabolite, constituent, extract or combination of any such ingredient; (2)
5 is intended for ingestion in tablet, capsule, powder, softgel, gelcap or
6 liquid form, or if not intended for ingestion, in such a form, is not
7 represented as conventional food and is not represented for use as a sole
8 item of a meal or of the diet; and (3) is required to be labeled as a dietary
9 supplement, identifiable by the supplemental facts box found on the label
10 and as required pursuant to 21 C.F.R. § 101.36;

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

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

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

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

35 (ppp) all sales of tangible personal property and services purchased
36 by or on behalf of a homeless shelter that is exempt from federal income
37 taxation pursuant to section 501(c)(3) of the federal income tax code of
38 1986, and used by any such homeless shelter to provide emergency and
39 transitional housing for individuals and families experiencing
40 homelessness, and all sales of any such property by or on behalf of any
41 such homeless shelter for any such purpose;

42 (qqq) all sales of tangible personal property and services purchased
43 by TLC for children and families, inc., hereinafter referred to as TLC,

1 which is exempt from federal income taxation pursuant to section 501(c)
2 (3) of the federal internal revenue code of 1986, and such property and
3 services are used for the purpose of providing emergency shelter and
4 treatment for abused and neglected children as well as meeting additional
5 critical needs for children, juveniles and family, and all sales of any such
6 property by or on behalf of TLC for any such purpose; and all sales of
7 tangible personal property or services purchased by a contractor for the
8 purpose of constructing, maintaining, repairing, enlarging, furnishing or
9 remodeling facilities for the operation of services for TLC for any such
10 purpose that would be exempt from taxation under the provisions of this
11 section if purchased directly by TLC. Nothing in this subsection shall be
12 deemed to exempt the purchase of any construction machinery, equipment
13 or tools used in the constructing, maintaining, repairing, enlarging,
14 furnishing or remodeling such facilities for TLC. When TLC contracts for
15 the purpose of constructing, maintaining, repairing, enlarging, furnishing
16 or remodeling such facilities, it shall obtain from the state and furnish to
17 the contractor an exemption certificate for the project involved, and the
18 contractor may purchase materials for incorporation in such project. The
19 contractor shall furnish the number of such certificate to all suppliers from
20 whom such purchases are made, and such suppliers shall execute invoices
21 covering the same bearing the number of such certificate. Upon
22 completion of the project the contractor shall furnish to TLC a sworn
23 statement, on a form to be provided by the director of taxation, that all
24 purchases so made were entitled to exemption under this subsection. All
25 invoices shall be held by the contractor for a period of five years and shall
26 be subject to audit by the director of taxation. If any materials purchased
27 under such a certificate are found not to have been incorporated in the
28 building or other project or not to have been returned for credit or the sales
29 or compensating tax otherwise imposed upon such materials that will not
30 be so incorporated in the building or other project reported and paid by
31 such contractor to the director of taxation not later than the 20th day of the
32 month following the close of the month in which it shall be determined
33 that such materials will not be used for the purpose for which such
34 certificate was issued, TLC shall be liable for tax on all materials
35 purchased for the project, and upon payment thereof it may recover the
36 same from the contractor together with reasonable attorney fees. Any
37 contractor or any agent, employee or subcontractor thereof, who shall use
38 or otherwise dispose of any materials purchased under such a certificate
39 for any purpose other than that for which such a certificate is issued
40 without the payment of the sales or compensating tax otherwise imposed
41 upon such materials, shall be guilty of a misdemeanor and, upon
42 conviction therefor, shall be subject to the penalties provided for in K.S.A.
43 79-3615(h), and amendments thereto;

1 (rrr) all sales of tangible personal property and services purchased by
2 any county law library maintained pursuant to law and sales of tangible
3 personal property and services purchased by an organization that would
4 have been exempt from taxation under the provisions of this subsection if
5 purchased directly by the county law library for the purpose of providing
6 legal resources to attorneys, judges, students and the general public, and
7 all sales of any such property by or on behalf of any such county law
8 library;

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

1 than the 20th day of the month following the close of the month in which it
2 shall be determined that such materials will not be used for the purpose for
3 which such certificate was issued, charitable family providers shall be
4 liable for tax on all materials purchased for the project, and upon payment
5 thereof it may recover the same from the contractor together with
6 reasonable attorney fees. Any contractor or any agent, employee or
7 subcontractor thereof, who shall use or otherwise dispose of any materials
8 purchased under such a certificate for any purpose other than that for
9 which such a certificate is issued without the payment of the sales or
10 compensating tax otherwise imposed upon such materials, shall be guilty
11 of a misdemeanor and, upon conviction therefor, shall be subject to the
12 penalties provided for in K.S.A. 79-3615(h), and amendments thereto;

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

1 materials that will not be so incorporated in a home or facility or other
2 project reported and paid by such contractor to the director of taxation not
3 later than the 20th day of the month following the close of the month in
4 which it shall be determined that such materials will not be used for the
5 purpose for which such certificate was issued, such nonprofit museum
6 shall be liable for tax on all materials purchased for the project, and upon
7 payment thereof it may recover the same from the contractor together with
8 reasonable attorney fees. Any contractor or any agent, employee or
9 subcontractor thereof, who shall use or otherwise dispose of any materials
10 purchased under such a certificate for any purpose other than that for
11 which such a certificate is issued without the payment of the sales or
12 compensating tax otherwise imposed upon such materials, shall be guilty
13 of a misdemeanor and, upon conviction therefor, shall be subject to the
14 penalties provided for in K.S.A. 79-3615(h), and amendments thereto;

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

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

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

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

31 (xxx) all sales of personal property and services purchased by the
32 booth theatre foundation, inc., an organization, which is exempt from
33 federal income taxation pursuant to section 501(c)(3) of the federal
34 internal revenue code of 1986, and which such personal property and
35 services are used by any such organization in the constructing, equipping,
36 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling
37 of the booth theatre, and all sales of tangible personal property or services
38 purchased by a contractor for the purpose of constructing, equipping,
39 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling
40 the booth theatre 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, equipping, reconstructing, maintaining, repairing, enlarging,
2 furnishing or remodeling facilities for any such organization. When any
3 such organization shall contract for the purpose of constructing, equipping,
4 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling
5 facilities, it shall obtain from the state and furnish to the contractor an
6 exemption certificate for the project involved, and the contractor may
7 purchase materials for incorporation in such project. The contractor shall
8 furnish the number of such certificate to all suppliers from whom such
9 purchases are made, and such suppliers shall execute invoices covering the
10 same bearing the number of such certificate. Upon completion of the
11 project the contractor shall furnish to such organization concerned a sworn
12 statement, on a form to be provided by the director of taxation, that all
13 purchases so made were entitled to exemption under this subsection. All
14 invoices shall be held by the contractor for a period of five years and shall
15 be subject to audit by the director of taxation. If any materials purchased
16 under such a certificate are found not to have been incorporated in such
17 facilities or not to have been returned for credit or the sales or
18 compensating tax otherwise imposed upon such materials that will not be
19 so incorporated in such facilities reported and paid by such contractor to
20 the director of taxation not later than the 20th day of the month following
21 the close of the month in which it shall be determined that such materials
22 will not be used for the purpose for which such certificate was issued, such
23 organization concerned shall be liable for tax on all materials purchased
24 for the project, and upon payment thereof it may recover the same from
25 the contractor together with reasonable attorney fees. Any contractor or
26 any agent, employee or subcontractor thereof, who shall use or otherwise
27 dispose of any materials purchased under such a certificate for any purpose
28 other than that for which such a certificate is issued without the payment
29 of the sales or compensating tax otherwise imposed upon such materials,
30 shall be guilty of a misdemeanor and, upon conviction therefor, shall be
31 subject to the penalties provided for in K.S.A. 79-3615(h), and
32 amendments thereto. Sales tax paid on and after January 1, 2007, but prior
33 to the effective date of this act upon the gross receipts received from any
34 sale which would have been exempted by the provisions of this subsection
35 had such sale occurred after the effective date of this act shall be refunded.
36 Each claim for a sales tax refund shall be verified and submitted to the
37 director of taxation upon forms furnished by the director and shall be
38 accompanied by any additional documentation required by the director.
39 The director shall review each claim and shall refund that amount of sales
40 tax paid as determined under the provisions of this subsection. All refunds
41 shall be paid from the sales tax refund fund upon warrants of the director
42 of accounts and reports pursuant to vouchers approved by the director or
43 the director's designee;

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

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

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

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

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

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

28 (dddd) all sales of tangible personal property or services purchased
29 by or on behalf of goodwill industries or Easter seals of Kansas, inc., both
30 of which are exempt from federal income taxation pursuant to section
31 501(c)(3) of the federal internal revenue code, for the purpose of providing
32 education, training and employment opportunities for people with
33 disabilities and other barriers to employment;

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

41 (ffff) all sales of tangible personal property and services purchased by
42 sheltered living, inc., which is exempt from federal income taxation
43 pursuant to section 501(c)(3) of the federal internal revenue code of 1986,

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

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

3 (hhhh) all sales of tangible personal property or services purchased
4 on or after July 1, 2014, for the purpose of and in conjunction with
5 constructing, reconstructing, enlarging or remodeling a business identified
6 under the North American industry classification system (NAICS)
7 subsectors 1123, 1124, 112112, 112120 or 112210, and the sale and
8 installation of machinery and equipment purchased for installation at any
9 such business. The exemption provided in this subsection shall not apply
10 to projects that have actual total costs less than \$50,000. When a person
11 contracts for the construction, reconstruction, enlargement or remodeling
12 of any such business, such person shall obtain from the state and furnish to
13 the contractor an exemption certificate for the project involved, and the
14 contractor may purchase materials, machinery and equipment for
15 incorporation in such project. The contractor shall furnish the number of
16 such certificates to all suppliers from whom such purchases are made, and
17 such suppliers shall execute invoices covering the same bearing the
18 number of such certificate. Upon completion of the project, the contractor
19 shall furnish to the owner of the business a sworn statement, on a form to
20 be provided by the director of taxation, that all purchases so made were
21 entitled to exemption under this subsection. All invoices shall be held by
22 the contractor for a period of five years and shall be subject to audit by the
23 director of taxation. Any contractor or any agent, employee or
24 subcontractor of the contractor, who shall use or otherwise dispose of any
25 materials, machinery or equipment purchased under such a certificate for
26 any purpose other than that for which such a certificate is issued without
27 the payment of the sales or compensating tax otherwise imposed thereon,
28 shall be guilty of a misdemeanor and, upon conviction therefor, shall be
29 subject to the penalties provided for in K.S.A. 79-3615(h), and
30 amendments thereto;

31 (iiii) all sales of tangible personal property or services purchased by a
32 contractor for the purpose of constructing, maintaining, repairing,
33 enlarging, furnishing or remodeling facilities for the operation of services
34 for Wichita children's home for any such purpose that would be exempt
35 from taxation under the provisions of this section if purchased directly by
36 Wichita children's home. Nothing in this subsection shall be deemed to
37 exempt the purchase of any construction machinery, equipment or tools
38 used in the constructing, maintaining, repairing, enlarging, furnishing or
39 remodeling such facilities for Wichita children's home. When Wichita
40 children's home contracts for the purpose of constructing, maintaining,
41 repairing, enlarging, furnishing or remodeling such facilities, it shall obtain
42 from the state and furnish to the contractor an exemption certificate for the
43 project involved, and the contractor may purchase materials for

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

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

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

38 (llll) all sales of tangible personal property and services purchased by
39 Gove county healthcare endowment foundation, inc., which is exempt
40 from federal income taxation pursuant to section 501(c)(3) of the federal
41 internal revenue code of 1986, and which such property and services are
42 used for the purpose of constructing and equipping an airport in Quinter,
43 Kansas, and all sales of tangible personal property or services purchased

1 by a contractor for the purpose of constructing and equipping an airport in
2 Quinter, Kansas, for such organization, that would be exempt from
3 taxation under the provisions of this section if purchased directly by such
4 organization. Nothing in this subsection shall be deemed to exempt the
5 purchase of any construction machinery, equipment or tools used in the
6 constructing or equipping of facilities for such organization. When such
7 organization shall contract for the purpose of constructing or equipping an
8 airport in Quinter, Kansas, it shall obtain from the state and furnish to the
9 contractor an exemption certificate for the project involved, and the
10 contractor may purchase materials for incorporation in such project. The
11 contractor shall furnish the number of such certificate to all suppliers from
12 whom such purchases are made, and such suppliers shall execute invoices
13 covering the same bearing the number of such certificate. Upon
14 completion of the project, the contractor shall furnish to such organization
15 concerned a sworn statement, on a form to be provided by the director of
16 taxation, that all purchases so made were entitled to exemption under this
17 subsection. All invoices shall be held by the contractor for a period of five
18 years and shall be subject to audit by the director of taxation. If any
19 materials purchased under such a certificate are found not to have been
20 incorporated in such facilities or not to have been returned for credit or the
21 sales or compensating tax otherwise imposed upon such materials that will
22 not be so incorporated in such facilities reported and paid by such
23 contractor to the director of taxation no later than the 20th day of the month
24 following the close of the month in which it shall be determined that such
25 materials will not be used for the purpose for which such certificate was
26 issued, such organization concerned shall be liable for tax on all materials
27 purchased for the project, and upon payment thereof it may recover the
28 same from the contractor together with reasonable attorney fees. Any
29 contractor or any agent, employee or subcontractor thereof, who purchased
30 under such a certificate for any purpose other than that for which such a
31 certificate is issued without the payment of the sales or compensating tax
32 otherwise imposed upon such materials, shall be guilty of a misdemeanor
33 and, upon conviction therefor, shall be subject to the penalties provided for
34 in K.S.A. 79-3615(h), and amendments thereto. The provisions of this
35 subsection shall expire and have no effect on and after July 1, 2019;

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

41 (nnnn) all sales of tangible personal property or services purchased
42 by friends of hospice of Jefferson county, an organization that is exempt
43 from federal income taxation pursuant to section 501(c)(3) of the federal

1 internal revenue code of 1986, for the purpose of providing support to the
2 Jefferson county hospice agency in end-of-life care of Jefferson county
3 families, friends and neighbors, and all sales of entry or participation fees,
4 charges or tickets by friends of hospice of Jefferson county for such
5 organization's fundraising event for such purpose; ~~and~~

6 (oooo) all sales of tangible personal property or services purchased
7 for the purpose of and in conjunction with constructing, reconstructing,
8 enlarging or remodeling a qualified business facility by a qualified firm or
9 qualified supplier that meets the requirements established in K.S.A. 2022
10 Supp. 74-50,312 and 74-50,319, and amendments thereto, and that has
11 been approved for a project exemption certificate by the secretary of
12 commerce; and the sale and installation of machinery and equipment
13 purchased by such qualified firm or qualified supplier for installation at
14 any such qualified business facility. When a person shall contract for the
15 construction, reconstruction, enlargement or remodeling of any such
16 qualified business facility, such person shall obtain from the state and
17 furnish to the contractor an exemption certificate for the project involved,
18 and the contractor may purchase materials, machinery and equipment for
19 incorporation in such project. The contractor shall furnish the number of
20 such certificates to all suppliers from whom such purchases are made, and
21 such suppliers shall execute invoices covering ~~the same such purchases~~
22 bearing the number of such certificate. Upon completion of the project, the
23 contractor shall furnish to the owner of the qualified firm or qualified
24 supplier 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. Any
28 contractor or any agent, employee or subcontractor thereof who shall use
29 or otherwise dispose of any materials, machinery or equipment purchased
30 under such a certificate for any purpose other than that for which such a
31 certificate is issued without the payment of the sales or compensating tax
32 otherwise imposed thereon, shall be guilty of a misdemeanor and, upon
33 conviction therefor, shall be subject to the penalties provided for in K.S.A.
34 79-3615(h), and amendments thereto. As used in this subsection, "qualified
35 business facility," "qualified firm" and "qualified supplier" mean the same
36 as defined in K.S.A. 2022 Supp. 74-50,311, and amendments thereto; *and*

37 *(pppp) all sales of tangible personal property or services constituting*
38 *production or postproduction expenditures purchased for the purpose of a*
39 *certified project by a production company that meets the requirements*
40 *established in section 3, and amendments thereto, and that has been*
41 *approved for a project exemption certificate by the secretary of commerce*
42 *and the sale and installation of machinery and equipment constituting*
43 *production or postproduction expenditures purchased by such production*

1 *company for use in this state for a certified project. Such sales tax*
2 *exemptions may be limited by the secretary of commerce as provided by*
3 *section 3, and amendments thereto. When a production company contracts*
4 *for construction, reconstruction, enlargement or remodeling of any facility*
5 *for purposes of a certified project that constitutes a production or*
6 *postproduction expenditure, the production company shall obtain from the*
7 *state and furnish to the contractor an exemption certificate for the*
8 *certified project, and the contractor may purchase materials, machinery*
9 *and equipment for incorporation in such work. The contractor shall*
10 *furnish the number of such certificates to all suppliers from whom such*
11 *purchases are made, and such suppliers shall execute invoices covering*
12 *such purchases bearing the number of such certificate. Upon completion*
13 *of the work, the contractor shall furnish to the owner of the production*
14 *company a sworn statement, on a form to be provided by the director of*
15 *taxation, that all purchases so made were entitled to exemption under this*
16 *subsection and section 3, and amendments thereto. All invoices shall be*
17 *held by the contractor for a period of five years and shall be subject to*
18 *audit by the director of taxation. Any contractor or any agent, employee or*
19 *subcontractor thereof who uses or otherwise disposes of any materials,*
20 *machinery or equipment purchased under such a certificate for any*
21 *purpose other than that for which such a certificate is issued without the*
22 *payment of the sales or compensating tax otherwise imposed thereon shall*
23 *be guilty of a misdemeanor and, upon conviction therefor, shall be subject*
24 *to the penalties provided for in K.S.A. 79-3615(h), and amendments*
25 *thereto. As used in this subsection, "certified project," "postproduction*
26 *expenditure," "production company" and "production expenditure" mean*
27 *the same as defined in section 2, and amendments thereto.*

28 ~~Sec. 10. 8.~~ K.S.A. 2022 Supp. 79-3606 is hereby repealed.

29 ~~Sec. 11. 9.~~ This act shall take effect and be in force from and after its
30 publication in the statute book.