

**Substitute for SENATE BILL No. 97**

By Committee on Assessment and Taxation

2-8

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

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

9 New Section 1. (a) Commencing with fiscal year 2019, in any fiscal  
10 year in which the amount of selected actual state general fund receipts  
11 from such fiscal year exceeds the selected actual state general fund  
12 receipts for the immediately preceding fiscal year by more than 1%, the  
13 director of legislative research shall certify such excess amount to the  
14 secretary of revenue and the director of the budget. Upon receipt of such  
15 certified amount, the secretary shall compute a reduction in the Kansas  
16 retailers' sales and compensating use tax rate by 0.2% on food and food  
17 ingredients to go into effect for the next tax year.

18 (b) As used in this section, "selected actual state general fund  
19 receipts" means receipts from the following taxes and fees: Individual and  
20 corporation income taxes imposed under K.S.A. 79-32,110, and  
21 amendments thereto, financial institutions privilege taxes imposed under  
22 article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments  
23 thereto, retail sales taxes imposed under K.S.A. 79-3601 et seq., and  
24 amendments thereto, compensating use taxes imposed under K.S.A. 79-  
25 3701 et seq., and amendments thereto, cigarette and tobacco product taxes  
26 imposed under K.S.A. 79-3301 et seq., and amendments thereto, cereal  
27 malt beverage and liquor gallonage taxes imposed under K.S.A. 41-501 et  
28 seq., and amendments thereto, liquor enforcement taxes imposed under  
29 K.S.A. 79-4101 et seq., and amendments thereto, liquor drink taxes  
30 imposed under K.S.A. 79-41a01 et seq., and amendments thereto,  
31 corporation franchise taxes imposed under K.S.A. 79-5401, and  
32 amendments thereto, annual franchise fees charged pursuant to law and  
33 mineral severance taxes imposed under K.S.A. 79-4216 et seq., and  
34 amendments thereto.

35 Sec. 2. K.S.A. 2016 Supp. 79-32,110 is hereby amended to read as  
36 follows: 79-32,110. (a) *Resident Individuals*. Except as otherwise provided

1 by K.S.A. 79-3220(a), and amendments thereto, a tax is hereby imposed  
 2 upon the Kansas taxable income of every resident individual, which tax  
 3 shall be computed in accordance with the following tax schedules:

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

5 (A) For tax year 2012:

6 If the taxable income is:	The tax is:
7 Not over \$30,000.....	3.5% of Kansas taxable income
8 Over \$30,000 but not over	
9 \$60,000.....	\$1,050 plus 6.25% of excess
	over \$30,000
11 Over \$60,000.....	\$2,925 plus 6.45% of excess
	over \$60,000

13 (B) For tax year 2013:

14 If the taxable income is:	The tax is:
15 Not over \$30,000.....	3.0% of Kansas taxable income
16 Over \$30,000.....	\$900 plus 4.9% of excess over
	\$30,000

18 (C) For tax year 2014:

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

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

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

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

29 <del>If the taxable income is:</del>	<del>The tax is:</del>
30 <del>Not over \$30,000.....</del>	<del>2.6% of Kansas taxable income</del>
31 <del>Over \$30,000.....</del>	<del>\$780 plus 4.6% of</del>
	<del>excess over \$30,000</del>

33 (2) *All other individuals.*

34 (A) For tax year 2012:

35 If the taxable income is:	The tax is:
36 Not over \$15,000.....	3.5% of Kansas taxable income
37 Over \$15,000 but not over	
38 \$30,000.....	\$525 plus 6.25% of excess
	over \$15,000
40 Over \$30,000.....	\$1,462.50 plus 6.45% of excess
	over \$30,000

42 (B) For tax year 2013:

43 If the taxable income is:	The tax is:
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1	Not over \$15,000.....	3.0% of Kansas taxable income
2	Over \$15,000.....	\$450 plus 4.9% of excess over
3		\$15,000

4 (C) For tax year 2014:

5	If the taxable income is:	The tax is:
6	Not over \$15,000.....	2.7% of Kansas taxable income
7	Over \$15,000.....	\$405 plus 4.8% of excess over
8		\$15,000

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

10	If the taxable income is:	The tax is:
11	Not over \$15,000.....	2.7% of Kansas taxable income
12	Over \$15,000.....	\$405 plus 4.6% of excess over
13		\$15,000

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

15	<del>If the taxable income is:</del>	<del>The tax is:</del>
16	<del>Not over \$15,000.....</del>	<del>2.6% of Kansas taxable income</del>
17	<del>Over \$15,000.....</del>	<del>\$390 plus 4.6% of</del>
18	<del>_____</del>	<del>excess over \$15,000</del>

19 (3) *All resident individuals. For tax year 2018, and all tax years*  
 20 *thereafter, for all individuals regardless of filing status, the tax shall be in*  
 21 *an amount equal to 3.9% of the Kansas taxable income of such individual.*

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

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

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

33 (2) (A) for tax year 2008, the surtax shall be in an amount equal to  
 34 3.1% of the Kansas taxable income of such corporation in excess of  
 35 \$50,000;

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

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

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

1 hereof.

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

4 (f) Notwithstanding the provisions of subsections (a) and (b), for tax  
5 ~~year years 2016, and all tax years thereafter~~ and 2017, married individuals  
6 filing joint returns with taxable income of \$12,500 or less, and all other  
7 individuals with taxable income of \$5,000 or less, shall have a tax liability  
8 of zero.

9 Sec. 3. K.S.A. 2016 Supp. 79-32,117 is hereby amended to read as  
10 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual  
11 means such individual's federal adjusted gross income for the taxable year,  
12 with the modifications specified in this section.

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

14 (i) Interest income less any related expenses directly incurred in the  
15 purchase of state or political subdivision obligations, to the extent that the  
16 same is not included in federal adjusted gross income, on obligations of  
17 any state or political subdivision thereof, but to the extent that interest  
18 income on obligations of this state or a political subdivision thereof issued  
19 prior to January 1, 1988, is specifically exempt from income tax under the  
20 laws of this state authorizing the issuance of such obligations, it shall be  
21 excluded from computation of Kansas adjusted gross income whether or  
22 not included in federal adjusted gross income. Interest income on  
23 obligations of this state or a political subdivision thereof issued after  
24 December 31, 1987, shall be excluded from computation of Kansas  
25 adjusted gross income whether or not included in federal adjusted gross  
26 income.

27 (ii) Taxes on or measured by income or fees or payments in lieu of  
28 income taxes imposed by this state or any other taxing jurisdiction to the  
29 extent deductible in determining federal adjusted gross income and not  
30 credited against federal income tax. This paragraph shall not apply to taxes  
31 imposed under the provisions of K.S.A. 79-1107 or 79-1108, and  
32 amendments thereto, for privilege tax year 1995, and all such years  
33 thereafter.

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

37 (iv) Federal income tax refunds received by the taxpayer if the  
38 deduction of the taxes being refunded resulted in a tax benefit for Kansas  
39 income tax purposes during a prior taxable year. Such refunds shall be  
40 included in income in the year actually received regardless of the method  
41 of accounting used by the taxpayer. For purposes hereof, a tax benefit shall  
42 be deemed to have resulted if the amount of the tax had been deducted in  
43 determining income subject to a Kansas income tax for a prior year

1 regardless of the rate of taxation applied in such prior year to the Kansas  
2 taxable income, but only that portion of the refund shall be included as  
3 bears the same proportion to the total refund received as the federal taxes  
4 deducted in the year to which such refund is attributable bears to the total  
5 federal income taxes paid for such year. For purposes of the foregoing  
6 sentence, federal taxes shall be considered to have been deducted only to  
7 the extent such deduction does not reduce Kansas taxable income below  
8 zero.

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

14 (vi) Any amount of designated employee contributions picked up by  
15 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,  
16 and amendments thereto, *and commencing in tax year 2017, and all tax*  
17 *years thereafter, any amount of member contributions made on a pre-tax*  
18 *basis pursuant to K.S.A. 74-4925, and amendments thereto.*

19 (vii) The amount of any charitable contribution made to the extent the  
20 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-  
21 32,196, and amendments thereto.

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

27 (ix) The amount of any ad valorem taxes and assessments paid and  
28 the amount of any costs incurred for habitat management or construction  
29 and maintenance of improvements on real property, claimed for deduction  
30 in determining federal adjusted gross income, to the extent the same is  
31 claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,203,  
32 and amendments thereto.

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

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

42 (xii) For taxable years commencing after December 31, 2004,  
43 amounts received as withdrawals not in accordance with the provisions of

1 K.S.A. 2016 Supp. 74-50,204, and amendments thereto, if, at the time of  
2 contribution to an individual development account, such amounts were  
3 subtracted from the federal adjusted gross income pursuant to subsection  
4 (c)(xiii), or if such amounts are not already included in the federal adjusted  
5 gross income.

6 (xiii) The amount of any expenditures claimed for deduction in  
7 determining federal adjusted gross income, to the extent the same is  
8 claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.  
9 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

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

14 (xv) The amount of any expenditures claimed for deduction in  
15 determining federal adjusted gross income, to the extent the same is  
16 claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.  
17 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233  
18 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-  
19 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

20 (xvi) The amount of any amortization deduction claimed in  
21 determining federal adjusted gross income to the extent the same is  
22 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,227, 79-  
23 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments  
24 thereto.

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

29 (xviii) For taxable years commencing after December 31, 2006, the  
30 amount of any ad valorem or property taxes and assessments paid to a state  
31 other than Kansas or local government located in a state other than Kansas  
32 by a taxpayer who resides in a state other than Kansas, when the law of  
33 such state does not allow a resident of Kansas who earns income in such  
34 other state to claim a deduction for ad valorem or property taxes or  
35 assessments paid to a political subdivision of the state of Kansas in  
36 determining taxable income for income tax purposes in such other state, to  
37 the extent that such taxes and assessments are claimed as an itemized  
38 deduction for federal income tax purposes.

39 (xix) For ~~all~~ taxable years beginning after December 31, 2012, *and*  
40 *ending before January 1, 2017*, the amount of any: (1) Loss from business  
41 as determined under the federal internal revenue code and reported from  
42 schedule C and on line 12 of the taxpayer's form 1040 federal individual  
43 income tax return; (2) loss from rental real estate, royalties, partnerships, S

1 corporations, except those with wholly owned subsidiaries subject to the  
2 Kansas privilege tax, estates, trusts, residual interest in real estate  
3 mortgage investment conduits and net farm rental as determined under the  
4 federal internal revenue code and reported from schedule E and on line 17  
5 of the taxpayer's form 1040 federal individual income tax return; and (3)  
6 farm loss as determined under the federal internal revenue code and  
7 reported from schedule F and on line 18 of the taxpayer's form 1040  
8 federal income tax return; all to the extent deducted or subtracted in  
9 determining the taxpayer's federal adjusted gross income. For purposes of  
10 this subsection, references to the federal form 1040 and federal schedule  
11 C, schedule E, and schedule F, shall be to such form and schedules as they  
12 existed for tax year 2011, and as revised thereafter by the internal revenue  
13 service.

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

22 (xxi) For ~~all~~ taxable years beginning after December 31, 2012, *and*  
23 *ending before January 1, 2017*, the amount of any deduction for pension,  
24 profit sharing, and annuity plans of self-employed individuals under  
25 section 62(a)(6) of the federal internal revenue code as in effect on January  
26 1, 2012, and amendments thereto, in determining the federal adjusted gross  
27 income of an individual taxpayer.

28 (xxii) For ~~all~~ taxable years beginning after December 31, 2012, *and*  
29 *ending before January 1, 2017*, the amount of any deduction for health  
30 insurance under section 162(l) of the federal internal revenue code as in  
31 effect on January 1, 2012, and amendments thereto, in determining the  
32 federal adjusted gross income of an individual taxpayer.

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

38 (xxiv) For taxable years commencing after December 31, 2013, that  
39 portion of the amount of any expenditure deduction claimed in  
40 determining federal adjusted gross income for expenses paid for medical  
41 care of the taxpayer or the taxpayer's spouse or dependents when such  
42 expenses were paid or incurred for an abortion, or for a health benefit plan,  
43 as defined in K.S.A. 2016 Supp. 65-6731, and amendments thereto, for the

1 purchase of an optional rider for coverage of abortion in accordance with  
2 K.S.A. 2016 Supp. 40-2,190, and amendments thereto, to the extent that  
3 such taxes and assessments are claimed as an itemized deduction for  
4 federal income tax purposes.

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

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

17 (i) Interest or dividend income on obligations or securities of any  
18 authority, commission or instrumentality of the United States and its  
19 possessions less any related expenses directly incurred in the purchase of  
20 such obligations or securities, to the extent included in federal adjusted  
21 gross income but exempt from state income taxes under the laws of the  
22 United States.

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

26 (iii) The portion of any gain or loss from the sale or other disposition  
27 of property having a higher adjusted basis for Kansas income tax purposes  
28 than for federal income tax purposes on the date such property was sold or  
29 disposed of in a transaction in which gain or loss was recognized for  
30 purposes of federal income tax that does not exceed such difference in  
31 basis, but if a gain is considered a long-term capital gain for federal  
32 income tax purposes, the modification shall be limited to that portion of  
33 such gain which is included in federal adjusted gross income.

34 (iv) The amount necessary to prevent the taxation under this act of  
35 any annuity or other amount of income or gain which was properly  
36 included in income or gain and was taxed under the laws of this state for a  
37 taxable year prior to the effective date of this act, as amended, to the  
38 taxpayer, or to a decedent by reason of whose death the taxpayer acquired  
39 the right to receive the income or gain, or to a trust or estate from which  
40 the taxpayer received the income or gain.

41 (v) The amount of any refund or credit for overpayment of taxes on  
42 or measured by income or fees or payments in lieu of income taxes  
43 imposed by this state, or any taxing jurisdiction, to the extent included in



1 gross income for federal income tax purposes.

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

5 (vii) Amounts received as annuities under the federal civil service  
6 retirement system from the civil service retirement and disability fund and  
7 other amounts received as retirement benefits in whatever form which  
8 were earned for being employed by the federal government or for service  
9 in the armed forces of the United States.

10 (viii) Amounts received by retired railroad employees as a  
11 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and  
12 228c (a)(1) et seq.

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

18 (x) For taxable years beginning after December 31, 1976, the amount  
19 of the federal tentative jobs tax credit disallowance under the provisions of  
20 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the  
21 amount of the targeted jobs tax credit and work incentive credit  
22 disallowances under 26 U.S.C. § 280 C.

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

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

29 (xiii) For taxable years beginning after December 31, 2004, amounts  
30 contributed to and the amount of income earned on contributions deposited  
31 to an individual development account under K.S.A. 2016 Supp. 74-50,201  
32 et seq., and amendments thereto.

33 (xiv) For all taxable years commencing after December 31, 1996, that  
34 portion of any income of a bank organized under the laws of this state or  
35 any other state, a national banking association organized under the laws of  
36 the United States, an association organized under the savings and loan  
37 code of this state or any other state, or a federal savings association  
38 organized under the laws of the United States, for which an election as an  
39 S corporation under subchapter S of the federal internal revenue code is in  
40 effect, which accrues to the taxpayer who is a stockholder of such  
41 corporation and which is not distributed to the stockholders as dividends of  
42 the corporation. For ~~all~~ taxable years beginning after December 31, 2012,  
43 *and ending before January 1, 2017*, the amount of modification under this

1 subsection shall exclude the portion of income or loss reported on schedule  
2 E and included on line 17 of the taxpayer's form 1040 federal individual  
3 income tax return.

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

17 (xvi) For all taxable years beginning after December 31, 2004,  
18 amounts received by taxpayers who are or were members of the armed  
19 forces of the United States, including service in the Kansas army and air  
20 national guard, as a recruitment, sign up or retention bonus received by  
21 such taxpayer as an incentive to join, enlist or remain in the armed services  
22 of the United States, including service in the Kansas army and air national  
23 guard, and amounts received for repayment of educational or student loans  
24 incurred by or obligated to such taxpayer and received by such taxpayer as  
25 a result of such taxpayer's service in the armed forces of the United States,  
26 including service in the Kansas army and air national guard.

27 (xvii) For all taxable years beginning after December 31, 2004,  
28 amounts received by taxpayers who are eligible members of the Kansas  
29 army and air national guard as a reimbursement pursuant to K.S.A. 48-  
30 281, and amendments thereto, and amounts received for death benefits  
31 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section  
32 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and  
33 amendments thereto, to the extent that such death benefits are included in  
34 federal adjusted gross income of the taxpayer.

35 (xviii) For the taxable year beginning after December 31, 2006,  
36 amounts received as benefits under the federal social security act which  
37 are included in federal adjusted gross income of a taxpayer with federal  
38 adjusted gross income of \$50,000 or less, whether such taxpayer's filing  
39 status is single, head of household, married filing separate or married filing  
40 jointly; and for all taxable years beginning after December 31, 2007,  
41 amounts received as benefits under the federal social security act which  
42 are included in federal adjusted gross income of a taxpayer with federal  
43 adjusted gross income of \$75,000 or less, whether such taxpayer's filing

1 status is single, head of household, married filing separate or married filing  
2 jointly.

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

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

25 (xxi) For all taxable years beginning after December 31, 2013,  
26 amounts equal to the unreimbursed travel, lodging and medical  
27 expenditures directly incurred by a taxpayer while living, or a dependent  
28 of the taxpayer while living, for the donation of one or more human organs  
29 of the taxpayer, or a dependent of the taxpayer, to another person for  
30 human organ transplantation. The expenses may be claimed as a  
31 subtraction modification provided for in this section to the extent the  
32 expenses are not already subtracted from the taxpayer's federal adjusted  
33 gross income. In no circumstances shall the subtraction modification  
34 provided for in this section for any individual, or a dependent, exceed  
35 \$5,000. As used in this section, "human organ" means all or part of a liver,  
36 pancreas, kidney, intestine, lung or bone marrow. The provisions of this  
37 paragraph shall take effect on the day the secretary of revenue certifies to  
38 the director of the budget that the cost for the department of revenue of  
39 modifications to the automated tax system for the purpose of  
40 implementing this paragraph will not exceed \$20,000.

41 (xxii) For all taxable years beginning after December 31, 2012, the  
42 amount of net gain from the sale of: (1) Cattle and horses, regardless of  
43 age, held by the taxpayer for draft, breeding, dairy or sporting purposes,

1 and held by such taxpayer for 24 months or more from the date of  
2 acquisition; and (2) other livestock, regardless of age, held by the taxpayer  
3 for draft, breeding, dairy or sporting purposes, and held by such taxpayer  
4 for 12 months or more from the date of acquisition. The subtraction from  
5 federal adjusted gross income shall be limited to the amount of the  
6 additions recognized under the provisions of subsection (b)(xix)  
7 attributable to the business in which the livestock sold had been used. As  
8 used in this paragraph, the term "livestock" shall not include poultry.

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

14 (xxiv) For all taxable years beginning after December 31, 2013, the  
15 net gain from the sale from Christmas trees grown in Kansas and held by  
16 the taxpayer for six years or more.

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

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

26 (f) *Any taxpayer who is in compliance with the provisions of this*  
27 *section, as they appear on June 30, 2017, shall not be assessed penalties*  
28 *and interest arising from the underpayment of taxes due to changes to this*  
29 *section that became law on July 1, 2017, so long as such underpayment*  
30 *occurred prior to July 1, 2017, and is rectified on or before April 15, 2018.*

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

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

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

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

3 (4) For the tax years commencing on and after January 1, 2015, *and*  
4 *ending before January 1, 2017*, the Kansas itemized deduction of an  
5 individual means the following deductions from federal adjusted gross  
6 income, other than federal deductions for personal exemptions, as  
7 provided in the federal internal revenue code with the modifications  
8 specified in this section: (A) 100% of charitable contributions that qualify  
9 as charitable contributions allowable as deductions in section 170 of the  
10 federal internal revenue code; (B) 50% of the amount of qualified  
11 residence interest as provided in section 163(h) of the federal internal  
12 revenue code; and (C) 50% of the amount of taxes on real and personal  
13 property as provided in section 164(a) of the federal internal revenue code.

14 (5) *For the tax years commencing on and after January 1, 2017, the*  
15 *Kansas itemized deduction of an individual means the following*  
16 *deductions from federal adjusted gross income, other than federal*  
17 *deductions for personal exemptions, as provided in the federal internal*  
18 *revenue code with the modifications specified in this section: (A) 100% of*  
19 *charitable contributions that qualify as charitable contributions allowable*  
20 *as deductions in section 170 of the federal internal revenue code; (B)*  
21 *100% of expenses for medical care allowable as deductions in section 213*  
22 *of the federal internal revenue code; (C) 50% of the amount of qualified*  
23 *residence interest as provided in section 163(h) of the federal internal*  
24 *revenue code; and (D) 50% of the amount of taxes on real and personal*  
25 *property as provided in section 164(a) of the federal internal revenue*  
26 *code.*

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

35 Sec. 5. K.S.A. 2016 Supp. 79-3602 is hereby amended to read as  
36 follows: 79-3602. Except as otherwise provided, as used in the Kansas  
37 retailers' sales tax act:

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

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

43 (c) "Alcoholic beverages" means beverages that are suitable for

1 human consumption and contain 0.05% or more of alcohol by volume.

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

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

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

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

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

17 (i) "Delivery charges" means charges by the seller of personal  
18 property or services for preparation and delivery to a location designated  
19 by the purchaser of personal property or services including, but not limited  
20 to, transportation, shipping, postage, handling, crating and packing.  
21 Delivery charges shall not include charges for delivery of direct mail if the  
22 charges are separately stated on an invoice or similar billing document  
23 given to the purchaser.

24 (j) "Direct mail" means printed material delivered or distributed by  
25 United States mail or other delivery services to a mass audience or to  
26 addressees on a mailing list provided by the purchaser or at the direction of  
27 the purchaser when the cost of the items are not billed directly to the  
28 recipients. Direct mail includes tangible personal property supplied  
29 directly or indirectly by the purchaser to the direct mail seller for inclusion  
30 in the package containing the printed material. Direct mail does not  
31 include multiple items of printed material delivered to a single address.

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

33 (l) "Educational institution" means any nonprofit school, college and  
34 university that offers education at a level above the 12<sup>th</sup> grade, and  
35 conducts regular classes and courses of study required for accreditation by,  
36 or membership in, the North Central Association of Colleges and Schools,  
37 the state board of education, or that otherwise qualify as an "educational  
38 institution," as defined by K.S.A. 74-50,103, and amendments thereto.  
39 Such phrase shall include: (1) A group of educational institutions that  
40 operates exclusively for an educational purpose; (2) nonprofit endowment  
41 associations and foundations organized and operated exclusively to  
42 receive, hold, invest and administer moneys and property as a permanent  
43 fund for the support and sole benefit of an educational institution; (3)

1 nonprofit trusts, foundations and other entities organized and operated  
2 principally to hold and own receipts from intercollegiate sporting events  
3 and to disburse such receipts, as well as grants and gifts, in the interest of  
4 collegiate and intercollegiate athletic programs for the support and sole  
5 benefit of an educational institution; and (4) nonprofit trusts, foundations  
6 and other entities organized and operated for the primary purpose of  
7 encouraging, fostering and conducting scholarly investigations and  
8 industrial and other types of research for the support and sole benefit of an  
9 educational institution.

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

12 (n) "Food and food ingredients" means substances, whether in liquid,  
13 concentrated, solid, frozen, dried or dehydrated form, that are sold for  
14 ingestion or chewing by humans and are consumed for their taste or  
15 nutritional value. "Food and food ingredients" does not include alcoholic  
16 beverages or tobacco. *"Food and food ingredients" does include bottled*  
17 *water, candy, dietary supplements, soft drinks or food sold through*  
18 *vending machines.*

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

27 (p) "Ingredient or component part" means tangible personal property  
28 which is necessary or essential to, and which is actually used in and  
29 becomes an integral and material part of tangible personal property or  
30 services produced, manufactured or compounded for sale by the producer,  
31 manufacturer or compounder in its regular course of business. The  
32 following items of tangible personal property are hereby declared to be  
33 ingredients or component parts, but the listing of such property shall not be  
34 deemed to be exclusive nor shall such listing be construed to be a  
35 restriction upon, or an indication of, the type or types of property to be  
36 included within the definition of "ingredient or component part" as herein  
37 set forth:

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

41 (2) Containers, labels, shipping cases, paper bags, drinking straws,  
42 paper plates, paper cups, twine and wrapping paper used in the distribution  
43 and sale of property taxable under the provisions of this act by wholesalers

1 and retailers and which is not to be returned to such wholesaler or retailer  
2 for reuse.

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

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

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

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

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

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

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

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

40 (C) providing tangible personal property along with an operator for a  
41 fixed or indeterminate period of time. A condition of this exclusion is that  
42 the operator is necessary for the equipment to perform as designed. For the  
43 purpose of this subsection, an operator must do more than maintain,



1 inspect or set-up the tangible personal property.

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

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

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

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

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

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

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

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

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

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

41 (z) "Persons" means any individual, firm, copartnership, joint  
42 adventure, association, corporation, estate or trust, receiver or trustee, or  
43 any group or combination acting as a unit, and the plural as well as the

1 singular number; and shall specifically mean any city or other political  
2 subdivision of the state of Kansas engaging in a business or providing a  
3 service specifically taxable under the provisions of this act.

4 (aa) "Political subdivision" means any municipality, agency or  
5 subdivision of the state which is, or shall hereafter be, authorized to levy  
6 taxes upon tangible property within the state or which certifies a levy to a  
7 municipality, agency or subdivision of the state which is, or shall hereafter  
8 be, authorized to levy taxes upon tangible property within the state. Such  
9 term also shall include any public building commission, housing, airport,  
10 port, metropolitan transit or similar authority established pursuant to law  
11 and the horsethief reservoir benefit district established pursuant to K.S.A.  
12 82a-2201, and amendments thereto.

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

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

35 (dd) "Property which is consumed" means tangible personal property  
36 which is essential or necessary to and which is used in the actual process  
37 of and consumed, depleted or dissipated within one year in: (1) The  
38 production, manufacture, processing, mining, drilling, refining or  
39 compounding of tangible personal property; (2) the providing of services;  
40 (3) the irrigation of crops, for sale in the regular course of business; or (4)  
41 the storage or processing of grain by a public grain warehouse or other  
42 grain storage facility, and which is not reusable for such purpose. The  
43 following is a listing of tangible personal property, included by way of

1 illustration but not of limitation, which qualifies as property which is  
2 consumed:

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

8 (B) electricity, gas and water; and

9 (C) petroleum products, lubricants, chemicals, solvents, reagents and  
10 catalysts.

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

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

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

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

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

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

27 (kk) "Sale" or "sales" means the exchange of tangible personal  
28 property, as well as the sale thereof for money, and every transaction,  
29 conditional or otherwise, for a consideration, constituting a sale, including  
30 the sale or furnishing of electrical energy, gas, water, services or  
31 entertainment taxable under the terms of this act and including, except as  
32 provided in the following provision, the sale of the use of tangible personal  
33 property by way of a lease, license to use or the rental thereof regardless of  
34 the method by which the title, possession or right to use the tangible  
35 personal property is transferred. The term "sale" or "sales" shall not mean  
36 the sale of the use of any tangible personal property used as a dwelling by  
37 way of a lease or rental thereof for a term of more than 28 consecutive  
38 days.

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

- 1 (A) The seller's cost of the property sold;
- 2 (B) the cost of materials used, labor or service cost, interest, losses,
- 3 all costs of transportation to the seller, all taxes imposed on the seller and
- 4 any other expense of the seller;
- 5 (C) charges by the seller for any services necessary to complete the
- 6 sale, other than delivery and installation charges;
- 7 (D) delivery charges; and
- 8 (E) installation charges.
- 9 (2) "Sales or selling price" includes consideration received by the
- 10 seller from third parties if:
  - 11 (A) The seller actually receives consideration from a party other than
  - 12 the purchaser and the consideration is directly related to a price reduction
  - 13 or discount on the sale;
  - 14 (B) the seller has an obligation to pass the price reduction or discount
  - 15 through to the purchaser;
  - 16 (C) the amount of the consideration attributable to the sale is fixed
  - 17 and determinable by the seller at the time of the sale of the item to the
  - 18 purchaser; and
  - 19 (D) one of the following criteria is met:
    - 20 (i) The purchaser presents a coupon, certificate or other
    - 21 documentation to the seller to claim a price reduction or discount where
    - 22 the coupon, certificate or documentation is authorized, distributed or
    - 23 granted by a third party with the understanding that the third party will
    - 24 reimburse any seller to whom the coupon, certificate or documentation is
    - 25 presented;
    - 26 (ii) the purchaser identifies to the seller that the purchaser is a
    - 27 member of a group or organization entitled to a price reduction or
    - 28 discount. A preferred customer card that is available to any patron does not
    - 29 constitute membership in such a group; or
    - 30 (iii) the price reduction or discount is identified as a third party price
    - 31 reduction or discount on the invoice received by the purchaser or on a
    - 32 coupon, certificate or other documentation presented by the purchaser.
  - 33 (3) "Sales or selling price" shall not include:
    - 34 (A) Discounts, including cash, term or coupons that are not
    - 35 reimbursed by a third party that are allowed by a seller and taken by a
    - 36 purchaser on a sale;
    - 37 (B) interest, financing and carrying charges from credit extended on
    - 38 the sale of personal property or services, if the amount is separately stated
    - 39 on the invoice, bill of sale or similar document given to the purchaser;
    - 40 (C) any taxes legally imposed directly on the consumer that are
    - 41 separately stated on the invoice, bill of sale or similar document given to
    - 42 the purchaser;
    - 43 (D) the amount equal to the allowance given for the trade-in of

1 property, if separately stated on the invoice, billing or similar document  
2 given to the purchaser; and

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

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

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

10 (oo) "Sourcing rules" means the rules set forth in K.S.A. 2016 Supp.  
11 79-3670 through 79-3673, K.S.A. 12-191 and 12-191a, and amendments  
12 thereto, which shall apply to identify and determine the state and local  
13 taxing jurisdiction sales or use taxes to pay, or collect and remit on a  
14 particular retail sale.

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

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

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

23 (ss) "Entity-based exemption" means an exemption based on who  
24 purchases the product or who sells the product. An exemption that is  
25 available to all individuals shall not be considered an entity-based  
26 exemption.

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

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

39 (vv) "Conference bridging service" means an ancillary service that  
40 links two or more participants of an audio or video conference call and  
41 may include the provision of a telephone number. Conference bridging  
42 service does not include the telecommunications services used to reach the  
43 conference bridge.

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

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

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

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

15 (aaa) "Telecommunications service" means the electronic  
16 transmission, conveyance or routing of voice, data, audio, video or any  
17 other information or signals to a point, or between or among points. The  
18 term telecommunications service includes such transmission, conveyance  
19 or routing in which computer processing applications are used to act on the  
20 form, code or protocol of the content for purposes of transmissions,  
21 conveyance or routing without regard to whether such service is referred to  
22 as voice over internet protocol services or is classified by the federal  
23 communications commission as enhanced or value added.  
24 Telecommunications service does not include:

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

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

32 (3) tangible personal property;

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

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

35 (6) internet access service;

36 (7) radio and television audio and video programming services,  
37 regardless of the medium, including the furnishing of transmission,  
38 conveyance and routing of such services by the programming service  
39 provider. Radio and television audio and video programming services shall  
40 include, but not be limited to, cable service as defined in 47 U.S.C. §  
41 522(6) and audio and video programming services delivered by  
42 commercial mobile radio service providers, as defined in 47 C.F.R. § 20.3;

43 (8) ancillary services; or

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

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

8 (ccc) "900 service" means an inbound toll telecommunications  
9 service purchased by a subscriber that allows the subscriber's customers to  
10 call in to the subscriber's prerecorded announcement or live service. 900  
11 service does not include the charge for collection services provided by the  
12 seller of the telecommunications services to the subscriber, or service or  
13 product sold by the subscriber to the subscriber's customer. The service is  
14 typically marketed under the name 900 service, and any subsequent  
15 numbers designated by the federal communications commission.

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

21 (eee) "International" means a telecommunications service that  
22 originates or terminates in the United States and terminates or originates  
23 outside the United States, respectively. United States includes the District  
24 of Columbia or a U.S. territory or possession.

25 (fff) "Interstate" means a telecommunications service that originates  
26 in one United States state, or a United States territory or possession, and  
27 terminates in a different United States state or a United States territory or  
28 possession.

29 (ggg) "Intrastate" means a telecommunications service that originates  
30 in one United States state or a United States territory or possession, and  
31 terminates in the same United States state or a United States territory or  
32 possession.

33 (hhh) *"Bottled water" means water that is placed in a safety sealed*  
34 *container or packaged for human consumption. "Bottled water" is calorie*  
35 *free and does not contain sweeteners or other additives, except that it may*  
36 *contain:*

37 (1) *Antimicrobial agents;*

38 (2) *fluoride;*

39 (3) *carbonation;*

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

41 (5) *oxygen;*

42 (6) *preservatives; and*

43 (7) *only those flavors, extracts or essences derived from a spice or*

1 fruit.

2 "Bottled water" includes water that is delivered to the buyer in a  
3 reusable container that is not sold with the water.

4 (iii) "Candy" means a preparation of sugar, honey or other natural or  
5 artificial sweeteners in combination with chocolate, fruits, nuts or other  
6 ingredients or flavorings in the form of bars, drops or pieces. "Candy"  
7 shall not include any preparation containing flour and shall require no  
8 refrigeration.

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

11 (lll) "Prepared food" means:

12 (1) Food sold in a heated state or heated by the seller;

13 (2) two or more food ingredients mixed or combined by the seller for  
14 sale as a single item; or

15 (3) food sold with eating utensils provided by the seller, including  
16 plates, knives, forks, spoons, glasses, cups, napkins or straws. A plate  
17 does not include a container or packaging used to transport the food.

18 "Prepared food" does not include food that is only cut, repackaged or  
19 pasteurized by the seller, and eggs, fish, meat, poultry and foods  
20 containing these raw animal foods requiring cooking by the consumer as  
21 recommended by the food and drug administration in chapter 3, part  
22 401.11 of its food code so as to prevent food borne illnesses.

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

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

29 Sec. 6. K.S.A. 2016 Supp. 79-3603 is hereby amended to read as  
30 follows: 79-3603. For the privilege of engaging in the business of selling  
31 tangible personal property at retail in this state or rendering or furnishing  
32 any of the services taxable under this act, there is hereby levied and there  
33 shall be collected and paid a tax at the rate of 6.15%, and commencing  
34 July 1, 2015, at the rate of 6.5%, *except that commencing on January 1,*  
35 *2018, the rate on food and food ingredients shall be 5.5% and as further*  
36 *reduced by section 1, and amendments thereto.* Within a redevelopment  
37 district established pursuant to K.S.A. 74-8921, and amendments thereto,  
38 there is hereby levied and there shall be collected and paid an additional  
39 tax at the rate of 2% until the earlier of the date the bonds issued to finance  
40 or refinance the redevelopment project have been paid in full or the final  
41 scheduled maturity of the first series of bonds issued to finance any part of  
42 the project upon:

43 (a) The gross receipts received from the sale of tangible personal



1 property at retail within this state;

2 (b) the gross receipts from intrastate, interstate or international  
3 telecommunications services and any ancillary services sourced to this  
4 state in accordance with K.S.A. 2016 Supp. 79-3673, and amendments  
5 thereto, except that telecommunications service does not include: (1) Any  
6 interstate or international 800 or 900 service; (2) any interstate or  
7 international private communications service as defined in K.S.A. 2016  
8 Supp. 79-3673, and amendments thereto; (3) any value-added nonvoice  
9 data service; (4) any telecommunication service to a provider of  
10 telecommunication services which will be used to render  
11 telecommunications services, including carrier access services; or (5) any  
12 service or transaction defined in this section among entities classified as  
13 members of an affiliated group as provided by section 1504 of the federal  
14 internal revenue code of 1986, as in effect on January 1, 2001;

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

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

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

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

42 (g) the gross receipts from the service of renting of rooms by hotels,  
43 as defined by K.S.A. 36-501, and amendments thereto, or by

1 accommodation brokers, as defined by K.S.A. 12-1692, and amendments  
2 thereto, but such tax shall not be levied and collected upon the gross  
3 receipts received from sales of such service to the federal government and  
4 any agency, officer or employee thereof in association with the  
5 performance of official government duties;

6 (h) the gross receipts from the service of renting or leasing of tangible  
7 personal property except such tax shall not apply to the renting or leasing  
8 of machinery, equipment or other personal property owned by a city and  
9 purchased from the proceeds of industrial revenue bonds issued prior to  
10 July 1, 1973, in accordance with the provisions of K.S.A. 12-1740 through  
11 12-1749, and amendments thereto, and any city or lessee renting or leasing  
12 such machinery, equipment or other personal property purchased with the  
13 proceeds of such bonds who shall have paid a tax under the provisions of  
14 this section upon sales made prior to July 1, 1973, shall be entitled to a  
15 refund from the sales tax refund fund of all taxes paid thereon;

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

19 (j) the gross receipts from the rendering of the services of washing  
20 and washing and waxing of vehicles;

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

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

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

35 (m) the gross receipts received from fees and charges by public and  
36 private clubs, drinking establishments, organizations and businesses for  
37 participation in sports, games and other recreational activities, but such tax  
38 shall not be levied and collected upon the gross receipts received from: (1)  
39 Fees and charges by any political subdivision, by any organization exempt  
40 from property taxation pursuant to K.S.A. 79-201 *Ninth*, and amendments  
41 thereto, or by any youth recreation organization exclusively providing  
42 services to persons 18 years of age or younger which is exempt from  
43 federal income taxation pursuant to section 501(c)(3) of the federal

1 internal revenue code of 1986, for participation in sports, games and other  
2 recreational activities; and (2) entry fees and charges for participation in a  
3 special event or tournament sanctioned by a national sporting association  
4 to which spectators are charged an admission which is taxable pursuant to  
5 subsection (e);

6 (n) the gross receipts received from dues charged by public and  
7 private clubs, drinking establishments, organizations and businesses,  
8 payment of which entitles a member to the use of facilities for recreation  
9 or entertainment, but such tax shall not be levied and collected upon the  
10 gross receipts received from: (1) Dues charged by any organization exempt  
11 from property taxation pursuant to K.S.A. 79-201 *Eighth* and *Ninth*, and  
12 amendments thereto; and (2) sales of memberships in a nonprofit  
13 organization which is exempt from federal income taxation pursuant to  
14 section 501(c)(3) of the federal internal revenue code of 1986, and whose  
15 purpose is to support the operation of a nonprofit zoo;

16 (o) the gross receipts received from the isolated or occasional sale of  
17 motor vehicles or trailers but not including: (1) The transfer of motor  
18 vehicles or trailers by a person to a corporation or limited liability  
19 company solely in exchange for stock securities or membership interest in  
20 such corporation or limited liability company; (2) the transfer of motor  
21 vehicles or trailers by one corporation or limited liability company to  
22 another when all of the assets of such corporation or limited liability  
23 company are transferred to such other corporation or limited liability  
24 company; or (3) the sale of motor vehicles or trailers which are subject to  
25 taxation pursuant to the provisions of K.S.A. 79-5101 et seq., and  
26 amendments thereto, by an immediate family member to another  
27 immediate family member. For the purposes of paragraph (3), immediate  
28 family member means lineal ascendants or descendants, and their spouses.  
29 Any amount of sales tax paid pursuant to the Kansas retailers sales tax act  
30 on the isolated or occasional sale of motor vehicles or trailers on and after  
31 July 1, 2004, which the base for computing the tax was the value pursuant  
32 to K.S.A. 79-5105(a), (b)(1) and (b)(2), and amendments thereto, when  
33 such amount was higher than the amount of sales tax which would have  
34 been paid under the law as it existed on June 30, 2004, shall be refunded to  
35 the taxpayer pursuant to the procedure prescribed by this section. Such  
36 refund shall be in an amount equal to the difference between the amount of  
37 sales tax paid by the taxpayer and the amount of sales tax which would  
38 have been paid by the taxpayer under the law as it existed on June 30,  
39 2004. Each claim for a sales tax refund shall be verified and submitted not  
40 later than six months from the effective date of this act to the director of  
41 taxation upon forms furnished by the director and shall be accompanied by  
42 any additional documentation required by the director. The director shall  
43 review each claim and shall refund that amount of tax paid as provided by

1 this act. All such refunds shall be paid from the sales tax refund fund, upon  
2 warrants of the director of accounts and reports pursuant to vouchers  
3 approved by the director of taxation or the director's designee. No refund  
4 for an amount less than \$10 shall be paid pursuant to this act. In  
5 determining the base for computing the tax on such isolated or occasional  
6 sale, the fair market value of any motor vehicle or trailer traded in by the  
7 purchaser to the seller may be deducted from the selling price;

8 (p) the gross receipts received for the service of installing or applying  
9 tangible personal property which when installed or applied is not being  
10 held for sale in the regular course of business, and whether or not such  
11 tangible personal property when installed or applied remains tangible  
12 personal property or becomes a part of real estate, except that no tax shall  
13 be imposed upon the service of installing or applying tangible personal  
14 property in connection with the original construction of a building or  
15 facility, the original construction, reconstruction, restoration, remodeling,  
16 renovation, repair or replacement of a residence or the construction,  
17 reconstruction, restoration, replacement or repair of a bridge or highway.

18 For the purposes of this subsection:

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

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

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

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

41 (5) "utility structure" shall mean transmission and distribution lines  
42 owned by an independent transmission company or cooperative, the  
43 Kansas electric transmission authority or natural gas or electric public

1 utility; and

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

5 (q) the gross receipts received for the service of repairing, servicing,  
6 altering or maintaining tangible personal property which when such  
7 services are rendered is not being held for sale in the regular course of  
8 business, and whether or not any tangible personal property is transferred  
9 in connection therewith. The tax imposed by this subsection shall be  
10 applicable to the services of repairing, servicing, altering or maintaining an  
11 item of tangible personal property which has been and is fastened to,  
12 connected with or built into real property;

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

16 (s) on and after January 1, 2005, the gross receipts received from the  
17 sale of prewritten computer software and the sale of the services of  
18 modifying, altering, updating or maintaining prewritten computer  
19 software, whether the prewritten computer software is installed or  
20 delivered electronically by tangible storage media physically transferred to  
21 the purchaser or by load and leave;

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

23 (u) the gross receipts received from the sale of prepaid calling service  
24 and prepaid wireless calling service as defined in K.S.A. 2016 Supp. 79-  
25 3673, and amendments thereto;

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

29 (w) all sales of charitable raffle tickets in accordance with K.S.A.  
30 2016 Supp. 75-5171 et seq., and amendments thereto, shall be exempt  
31 from taxes imposed pursuant to this section; *and*

32 (x) *commencing on January 1, 2018, and thereafter, the gross*  
33 *receipts from the sale of food and food ingredients shall be taxed at 5.5%*  
34 *and further reduced at the rate determined by the secretary of revenue*  
35 *pursuant to section 1, and amendments thereto. The provisions of this*  
36 *subsection shall not apply to prepared food, unless sold without eating*  
37 *utensils provided by the seller and described below:*

38 (1) *Food sold by a seller whose proper primary NAICS classification*  
39 *is manufacturing in section 311, except for subsector 3118 (bakeries).*

40 (2) (A) *Food sold in an unheated state by weight or volume as a*  
41 *single item; or*

42 (B) *only meat or seafood sold in an unheated state by weight or*  
43 *volume as a single item.*

1       (3) *Bakery items, including bread, rolls, buns, biscuits, bagels,*  
2 *croissants, pastries, donuts, danish, cakes, tortes, pies, tarts, muffins, bars,*  
3 *cookies and tortillas.*

4       (4) *Food sold that ordinarily requires additional cooking, as opposed*  
5 *to just reheating, by the consumer prior to consumption.*

6       (5) *Bottled water that is not otherwise sold as prepared food.*

7       Sec. 7. K.S.A. 2016 Supp. 79-3620 is hereby amended to read as  
8 follows: 79-3620. (a) All revenue collected or received by the director of  
9 taxation from the taxes imposed by this act shall be remitted to the state  
10 treasurer in accordance with the provisions of K.S.A. 75-4215, and  
11 amendments thereto. Upon receipt of each such remittance, the state  
12 treasurer shall deposit the entire amount in the state treasury, less amounts  
13 withheld as provided in subsection (b) and amounts credited as provided in  
14 subsections (c), (d) and (e), to the credit of the state general fund.

15       (b) A refund fund, designated as "sales tax refund fund" not to exceed  
16 \$100,000 shall be set apart and maintained by the director from sales tax  
17 collections and estimated tax collections and held by the state treasurer for  
18 prompt payment of all sales tax refunds. Such fund shall be in such  
19 amount, within the limit set by this section, as the director shall determine  
20 is necessary to meet current refunding requirements under this act. In the  
21 event such fund as established by this section is, at any time, insufficient to  
22 provide for the payment of refunds due claimants thereof, the director shall  
23 certify the amount of additional funds required to the director of accounts  
24 and reports who shall promptly transfer the required amount from the state  
25 general fund to the sales tax refund fund, and notify the state treasurer,  
26 who shall make proper entry in the records.

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

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

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

42       (4) On July 1, 2013, the state treasurer shall credit 17.073% of the  
43 revenue collected and received from the tax imposed by K.S.A. 79-3603,

1 and amendments thereto, at the rate of 6.15%, and deposited as provided  
2 by subsection (a), exclusive of amounts credited pursuant to subsection  
3 (d), in the state highway fund.

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

9 (6) On July 1, 2016, ~~and thereafter~~, the state treasurer shall credit  
10 16.154% of the revenue collected and received from the tax imposed by  
11 K.S.A. 79-3603, and amendments thereto, at the rate of 6.5%, and  
12 deposited as provided by subsection (a), exclusive of amounts credited  
13 pursuant to subsection (d), in the state highway fund.

14 (7) *On July 1, 2017, and thereafter, the state treasurer shall credit*  
15 *16.154% of the revenue collected and received from the tax imposed by*  
16 *K.S.A. 79-3603, and amendments thereto, at the rates prescribed by that*  
17 *section, and deposited as provided by subsection (a), exclusive of amounts*  
18 *credited pursuant to subsection (d), in the state highway fund.*

19 (d) The state treasurer shall credit all revenue collected or received  
20 from the tax imposed by K.S.A. 79-3603, and amendments thereto, as  
21 certified by the director, from taxpayers doing business within that portion  
22 of a STAR bond project district occupied by a STAR bond project or  
23 taxpayers doing business with such entity financed by a STAR bond  
24 project as defined in K.S.A. 2016 Supp. 12-17,162, and amendments  
25 thereto, that was determined by the secretary of commerce to be of  
26 statewide as well as local importance or will create a major tourism area  
27 for the state or the project was designated as a STAR bond project as  
28 defined in K.S.A. 2016 Supp. 12-17,162, and amendments thereto, to the  
29 city bond finance fund, which fund is hereby created. The provisions of  
30 this subsection shall expire when the total of all amounts credited  
31 hereunder and under K.S.A. 79-3710(d), and amendments thereto, is  
32 sufficient to retire the special obligation bonds issued for the purpose of  
33 financing all or a portion of the costs of such STAR bond project.

34 (e) All revenue certified by the director of taxation as having been  
35 collected or received from the tax imposed by K.S.A. 79-3603(c), and  
36 amendments thereto, on the sale or furnishing of gas, water, electricity and  
37 heat for use or consumption within the intermodal facility district  
38 described in this subsection, shall be credited by the state treasurer to the  
39 state highway fund. Such revenue may be transferred by the secretary of  
40 transportation to the rail service improvement fund pursuant to law. The  
41 provisions of this subsection shall take effect upon certification by the  
42 secretary of transportation that a notice to proceed has been received for  
43 the construction of the improvements within the intermodal facility

1 district, but not later than December 31, 2010, and shall expire when the  
2 secretary of revenue determines that the total of all amounts credited  
3 hereunder and pursuant to K.S.A. 79-3710(e), and amendments thereto, is  
4 equal to \$53,300,000, but not later than December 31, 2045. Thereafter, all  
5 revenues shall be collected and distributed in accordance with applicable  
6 law. For all tax reporting periods during which the provisions of this  
7 subsection are in effect, none of the exemptions contained in K.S.A. 79-  
8 3601 et seq., and amendments thereto, shall apply to the sale or furnishing  
9 of any gas, water, electricity and heat for use or consumption within the  
10 intermodal facility district. As used in this subsection, "intermodal facility  
11 district" shall consist of an intermodal transportation area as defined by  
12 K.S.A. 12-1770a(o), and amendments thereto, located in Johnson county  
13 within the polygonal-shaped area having Waverly Road as the eastern  
14 boundary, 191<sup>st</sup> Street as the southern boundary, Four Corners Road as the  
15 western boundary, and Highway 56 as the northern boundary, and the  
16 polygonal-shaped area having Poplar Road as the eastern boundary, 183<sup>rd</sup>  
17 Street as the southern boundary, Waverly Road as the western boundary,  
18 and the BNSF mainline track as the northern boundary, that includes  
19 capital investment in an amount exceeding \$150 million for the  
20 construction of an intermodal facility to handle the transfer, storage and  
21 distribution of freight through railway and trucking operations.

22 Sec. 8. K.S.A. 2016 Supp. 79-3703 is hereby amended to read as  
23 follows: 79-3703. There is hereby levied and there shall be collected from  
24 every person in this state a tax or excise for the privilege of using, storing,  
25 or consuming within this state any article of tangible personal property.  
26 Such tax shall be levied and collected in an amount equal to the  
27 consideration paid by the taxpayer multiplied by the rate of 6.5%, *except*  
28 *that commencing on January 1, 2018, such rate on food and food*  
29 *ingredients shall be 5.5% and as further amended by section 1, and*  
30 *amendments thereto*. Within a redevelopment district established pursuant  
31 to K.S.A. 74-8921, and amendments thereto, there is hereby levied and  
32 there shall be collected and paid an additional tax of 2% until the earlier  
33 of: (1) The date the bonds issued to finance or refinance the redevelopment  
34 project undertaken in the district have been paid in full; or (2) the final  
35 scheduled maturity of the first series of bonds issued to finance the  
36 redevelopment project. All property purchased or leased within or without  
37 this state and subsequently used, stored or consumed in this state shall be  
38 subject to the compensating tax if the same property or transaction would  
39 have been subject to the Kansas retailers' sales tax had the transaction been  
40 wholly within this state.

41 Sec. 9. K.S.A. 2016 Supp. 79-3710 is hereby amended to read as  
42 follows: 79-3710. (a) All revenue collected or received by the director  
43 under the provisions of this act shall be remitted to the state treasurer in



1 accordance with the provisions of K.S.A. 75-4215, and amendments  
2 thereto. Upon receipt of each such remittance, the state treasurer shall  
3 deposit the entire amount in the state treasury, less amounts set apart as  
4 provided in subsection (b) and amounts credited as provided in subsection  
5 (c), (d) and (e), to the credit of the state general fund.

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

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

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

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

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

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

38 (6) On July 1, 2016, ~~and thereafter~~, the state treasurer shall credit  
39 16.154% of the revenue collected and received from the tax imposed by  
40 K.S.A. 79-3703, and amendments thereto, at the rate of 6.5%, and  
41 deposited as provided by subsection (a), exclusive of amounts credited  
42 pursuant to subsection (d), in the state highway fund.

43 (7) *On July 1, 2017, and thereafter, the state treasurer shall credit*

1 *16.154% of the revenue collected and received from the tax imposed by*  
2 *K.S.A. 79-3703, and amendments thereto, at the rates prescribed by that*  
3 *section, and deposited as provided by subsection (a), exclusive of amounts*  
4 *credited pursuant to subsection (d), in the state highway fund.*

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

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

19 (e) All revenue certified by the director of taxation as having been  
20 collected or received from the tax imposed by K.S.A. 79-3603(c), and  
21 amendments thereto, on the sale or furnishing of gas, water, electricity and  
22 heat for use or consumption within the intermodal facility district  
23 described in this subsection, shall be credited by the state treasurer to the  
24 state highway fund. Such revenue may be transferred by the secretary of  
25 transportation to the rail service improvement fund pursuant to law. The  
26 provisions of this subsection shall take effect upon certification by the  
27 secretary of transportation that a notice to proceed has been received for  
28 the construction of the improvements within the intermodal facility  
29 district, but not later than December 31, 2010, and shall expire when the  
30 secretary of revenue determines that the total of all amounts credited  
31 hereunder and pursuant to K.S.A. 79-3620(e), and amendments thereto, is  
32 equal to \$53,300,000, but not later than December 31, 2045. Thereafter, all  
33 revenues shall be collected and distributed in accordance with applicable  
34 law. For all tax reporting periods during which the provisions of this  
35 subsection are in effect, none of the exemptions contained in K.S.A. 79-  
36 3601 et seq., and amendments thereto, shall apply to the sale or furnishing  
37 of any gas, water, electricity and heat for use or consumption within the  
38 intermodal facility district. As used in this subsection, "intermodal facility  
39 district" shall consist of an intermodal transportation area as defined by  
40 K.S.A. 12-1770a(oo), and amendments thereto, located in Johnson county  
41 within the polygonal-shaped area having Waverly Road as the eastern  
42 boundary, 191<sup>st</sup> Street as the southern boundary, Four Corners Road as the  
43 western boundary, and Highway 56 as the northern boundary, and the

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

7 Sec. 10. K.S.A. 2016 Supp. 79-32,110, 79-32,117, 79-32,120, 79-  
8 3602, 79-3603, 79-3620, 79-3703 and 79-3710 are hereby repealed.

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