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

New Section 1. (a) For taxable years commencing after December 31, 2012, and before January 1, 2016, there shall be allowed as a credit against the tax liability of a resident individual taxpayer who has been unemployed for at least 12 consecutive months an amount equal to the resident individual's income tax liability under the provisions of the Kansas income tax act, when the resident individual:

1. Moves from a high unemployment county in Kansas and establishes domicile in a rural opportunity zone on or after July 1, 2012, and prior to January 1, 2016, for the purpose of accepting employment in such rural opportunity zone, remains employed for at least 12 consecutive months and was:

   (A) Domiciled in this state but not in a county designated as a rural opportunity zone pursuant to K.S.A. 2011 Supp. 74-50,222, and amendments thereto, for at least 12 months immediately prior to establishing such resident individual's domicile in a rural opportunity zone in this state; or

   (B) domiciled in this state in a county with high unemployment which is designated as a rural opportunity zone pursuant to K.S.A. 2011 Supp. 74-50,222, and amendments thereto, for at least 12 months immediately prior to establishing such resident individual's domicile in a different county designated rural opportunity zone in this state; and
(2) was domiciled in a rural opportunity zone during the entire taxable year for which such credit is claimed.

(b) A resident individual may claim the credit authorized by this section for not more than three consecutive years following establishment of their domicile in a rural opportunity zone.

(c) The maximum amount of any refund under this section shall be equal to the amount withheld from the resident individual's wages or payments other than wages pursuant to K.S.A. 79-3294 et seq., and amendments thereto, or paid by the resident individual as estimated taxes pursuant to K.S.A. 79-32,101 et seq., and amendments thereto.

(d) No credit shall be allowed under this section if:

(1) The resident individual's income tax return on which the credit is claimed is not timely filed, including any extension; or

(2) the resident individual is delinquent in filing any return with, or paying any tax due to, the state of Kansas or any political subdivision thereof.

(e) For the purposes of this section, "high unemployment county" means a county which has an unemployment rate of at least 5% as determined by the secretary of labor.

(f) This section shall be part of and supplemental to the Kansas income tax act.

(g) As used in this section, "rural opportunity zones" means those counties designated as rural opportunity zones pursuant to K.S.A. 74-50,222 on January 1, 2012.

NEW SECTION 1 {Sec. 3}

(a) (1) Except as provided in subsection (a) (2), commencing with fiscal year 2012, in any fiscal year in which the amount of selected actual state general fund receipts from such fiscal year exceeds the selected actual state general fund receipts for the immediately preceding fiscal year by more than 2½%{3%}, the director of legislative research shall certify such excess amount to the secretary of revenue and the director of the budget. Upon receipt of such certified amount, the secretary shall compute the excess percentage increase in selected actual state general fund receipts above 2½%{3%}. Based on such excess percentage of calculated receipt growth, the secretary shall compute the income tax rate reductions to go into effect for the next tax year that would reduce by such certified amount the tax rates during the fiscal year after the next fiscal year according to the provisions of this section, as follows:
(A) Rate reductions for individual income tax rates shall be applied to reduce the middle marginal income tax rate applicable to the current tax year by such excess percentage, the highest marginal income tax rate applicable to the current tax year, by such excess percentage minus 0.5%, and the lowest marginal income tax rate applicable to the current tax year by such excess percentage plus 0.5%, except that in no case shall such excess percentage plus 0.5% result in an income tax rate increase. In any such computation by the secretary pursuant to this subsection in which the income tax rate for any individual marginal income tax rate is below 0.4%, such rate shall be 0%. Based on all such determinations, the secretary shall reduce individual income tax rates prescribed by K.S.A. 79-32,110, and amendments thereto, as required by this section;

(B) upon all individual marginal income tax rates being reduced to 0% pursuant to the provisions of subsection (a)(1)(A), rate reduction next shall be applied for the surtax on corporations applicable to the current tax year by such excess percentage. In any such computation by the secretary pursuant to this subsection in which the surtax is below 0.4%, such surtax rate shall be 0%. Based on such determination, the secretary shall reduce the surtax on corporations prescribed by K.S.A. 79-32,110, and amendments thereto, as required by this section; and

(C) upon the surtax on corporations being reduced to a rate which when combined with the normal tax rate on corporations is equal to or below the combined surtax and normal tax imposed on national banking associations and state banks or is equal to or below the combined surtax and normal tax imposed on trust companies and savings and loan associations, rate reductions shall be proportionately applied for the tax on corporations, the tax on national banking associations and state banks, and the tax on trust companies and savings and loan associations. Such rate reductions shall be first applied to the surtax until reduced to 0% and then applied to the normal tax for each such tax. In any such computation by the secretary pursuant to this subsection in which any such tax is below 0.4%, such tax rate shall be 0%. Based on such determination, the secretary shall reduce the surtax and the normal tax on corporations prescribed by K.S.A. 79-32,110, and amendments thereto, the surtax and normal tax on national banking associations and state banks prescribed by K.S.A. 79-1107, and amendments thereto, and the surtax and normal tax on trust companies and savings and loan associations prescribed by K.S.A. 79-1108, and amendments thereto, as required by this section.

(2) In any fiscal year in which the amount of selected actual state general fund receipts for such fiscal year are \(\frac{102}{103}\%\) or less than the selected actual state general fund receipts from the immediately preceding fiscal year, the director of legislative research shall certify such amount and fact to the secretary of revenue and the director of the budget. Upon
receipt of such amount and fact, the secretary of revenue shall not make
any adjustment to the income tax rates for that tax year.
(b) The secretary of revenue shall report any reduction in income tax
rates prescribed by this section to the chairperson of the assessment and
taxation committee of the senate, the chairperson of the taxation
committee of the house of representatives and the governor, and shall
cause notice of any such reduction to be published in the Kansas register
prior to September 15 of the calendar year immediately preceding the tax
year in which such reduction takes effect.
(c) As used in this section, "selected actual state general fund
receipts" means receipts from the following taxes and fees: Individual and
corporation income taxes imposed under K.S.A. 79-32,110, and
amendments thereto, financial institutions privilege taxes imposed under
article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments
thereto, retail sales taxes imposed under K.S.A. 79-3601 et seq., and
amendments thereto, compensating use taxes imposed under K.S.A. 79-
3701 et seq., and amendments thereto, cigarette and tobacco product taxes
imposed under K.S.A. 79-3301 et seq., and amendments thereto, cereal
malt beverage and liquor gallonage taxes imposed under K.S.A. 41-501 et
seq., and amendments thereto, liquor enforcement taxes imposed under
K.S.A. 79-4101 et seq., and amendments thereto, liquor drink taxes
imposed under K.S.A. 79-41a01 et seq., and amendments thereto,
corporation franchise taxes imposed under K.S.A. 79-5401, and
amendments thereto, annual franchise fees charged pursuant to law and
mineral severance taxes imposed under K.S.A. 79-4216 et seq., and
amendments thereto.
Sec. 2. K.S.A. 2011 Supp. 40-2246 is hereby amended to read as
follows: 40-2246. (a) A credit against the taxes otherwise due under the
Kansas income tax act shall be allowed to an employer for amounts paid
during the taxable year for purposes of this act on behalf of an eligible:
employee as defined in K.S.A. 40-2239, and amendments thereto, to
provide health insurance or care and amounts contributed to health savings
accounts of eligible covered employees.
(b) (1) For employers that have established a small employer health
benefit plan after December 31, 1999, but prior to January 1, 2005, the
amount of the credit allowed by subsection (a) shall be $35 per month per
eligible covered employee or 50% of the total amount paid by the
employer during the taxable year, whichever is less, for the first two years
of participation. In the third year, the credit shall be equal to 75% of the
lesser of $35 per month per employee or 50% of the total amount paid by
the employer during the taxable year. In the fourth year, the credit shall be
equal to 50% of the lesser of $35 per month per employee or 50% of the
total amount paid by the employer during the taxable year. In the fifth year,
the credit shall be equal to 25% of the lesser of $25 per month per
employee or 50% of the total amount paid by the employer during the
taxable year. For the sixth and subsequent years, no credit shall be
allowed.

(2) For employers that have established a small employer health-
benefit plan or made contributions to a health savings account of an
eligible covered employee after December 31, 2004, the amount of credit
allowed by subsection (a) shall be $70 per month per eligible covered
employee for the first 12 months of participation, $50 per month per
eligible covered employee for the next 12 months of participation and $35
per eligible covered employee for the next 12 months of participation.
After 36 months of participation, no credit shall be allowed.

(c) If the credit allowed by this section is claimed, the amount of any
deduction allowable under the Kansas income tax act for expenses
described in this section shall be reduced by the dollar amount of the
credit. The election to claim the credit shall be made at the time of filing
the tax return in accordance with law. If Commencing in tax year 2013:
and all tax years thereafter, the credit allowed by this section exceeds
shall not exceed the taxes imposed under the Kansas income tax act for the
taxable year, that portion of the credit which exceeds those taxes shall be
refunded to the taxpayer reduced by the sum of any other credits allowable
against the tax liability of the taxpayer pursuant to law.

(d) Any amount of expenses paid by an employer under this act shall
not be included as income to the employee for purposes of the Kansas
income tax act. If such expenses have been included in federal taxable
income of the employee, the amount included shall be subtracted in
arriving at state taxable income under the Kansas income tax act.

(e) The secretary of revenue shall promulgate rules and regulations to
carry out the provisions of this section.

(f) This section shall apply to all taxable years commencing after
December 31, 1999.

Sec. 3. K.S.A. 2011 Supp. 74-50,222 is hereby amended to read
as follows: 74-50,222. As used in K.S.A. 74-50,222, 74-50,223 and 79-
32,267, and amendments thereto:

(a) "Institution of higher education" means a public or private
nonprofit educational institution that meets the requirements of
participation in programs under the higher education act of 1965, as
amended, 34 C.F.R. 600;

(b) "rural opportunity zone" means Allen, Anderson, Barber,
Bourbon, Brown, Chase, Chautauqua, Cherokee, Cheyenne, Clark, Clay,
Cloud, Coffey, Comanche, Decatur, Doniphan, Edwards, Elk, Ellsworth,
Gove, Graham, Grant, Greeley, Greenwood, Hamilton, Haskell, Harper,
Hodgeman, Jewell, Kearny, Kingman, Kiowa, Labette, Lane, Lincoln,
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(c) "secretary" means the secretary of commerce; and

(d) "student loan" means a federal student loan program supported by the federal government and a nonfederal loan issued by a lender such as a bank, savings and loan or credit union to help students and parents pay school expenses for attendance at an institution of higher education.

Sec. 4. K.S.A. 2011 Supp. 79-1107 is hereby amended to read as follows: 79-1107. (a) Every national banking association and state bank located or doing business within the state shall pay to the state for the privilege of doing business within the state a tax according to or measured by its net income for the next preceding taxable year to be computed as provided in this act. Such tax shall consist of a normal tax and a surtax and shall be computed as follows:

(1) The normal tax shall be an amount equal to 2 1/4% of such net income; and

(2) the surtax shall be an amount equal to 2 1/8% of such net income in excess of $25,000.

(b) The tax levied shall be in lieu of ad valorem taxes which might otherwise be imposed by the state or political subdivisions thereof upon shares of capital stock or the intangible assets of national banking associations and state banks.

(c) Tax rates provided in this section shall be adjusted pursuant to the provisions of section 1, and amendments thereto.

Sec. 5. K.S.A. 2011 Supp. 79-1108 is hereby amended to read as follows: 79-1108. (a) Every trust company and savings and loan association located or doing business within the state shall pay to the state for the privilege of doing business within the state a tax according to or measured by its net income for the next preceding taxable year to be computed as provided in this act. Such tax shall consist of a normal tax and a surtax and shall be computed as follows:

(1) The normal tax on every trust company and savings and loan association shall be an amount equal to 2 1/4% of such net income; and

(2) the surtax on every trust company and savings and loan association shall be an amount equal to 2 1/4% of such net income in excess of $25,000.

(b) The tax levied shall be in lieu of ad valorem taxes which might otherwise be imposed by the state or political subdivision thereof upon shares of capital stock or other intangible assets of trust companies and savings and loan associations.
(c) Tax rates provided in this section shall be adjusted pursuant to the provisions of section 1, and amendments thereto.

Sec. 6. K.S.A. 2011 Supp. 79-32,110 is hereby amended to read as follows: 79-32,110. (a) Resident Individuals. Except as otherwise provided by subsection (a) of K.S.A. 79-3220, and amendments thereto, a tax is hereby imposed upon the Kansas taxable income of every resident individual, which tax shall be computed in accordance with the following tax schedules:

(1) Married individuals filing joint returns.

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

(2) All other individuals.

(A) For tax year 1997:

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

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

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

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

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

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

(2) (A) for tax year 2008, the surtax shall be in an amount equal to
3.1% of the Kansas taxable income of such corporation in excess of $50,000;
(B) for tax years 2009 and 2010, the surtax shall be in an amount equal to 3.05% of the Kansas taxable income of such corporation in excess of $50,000; and
(C) for tax year 2011, and all tax years thereafter, the surtax shall be in an amount equal to 3% of the Kansas taxable income of such corporation in excess of $50,000.
(d) Fiduciaries. A tax is hereby imposed upon the Kansas taxable income of estates and trusts at the rates provided in paragraph (2) of subsection (a) hereof.
(e) Tax rates provided in this section shall be adjusted pursuant to the provisions of section 1, and amendments thereto.
Sec. 7. K.S.A. 2011 Supp. 79-32,111 is hereby amended to read as follows: 79-32,111. (a) The amount of income tax paid to another state by a resident individual, resident estate or resident trust on income derived from sources in another state, and included in Kansas adjusted gross income, shall be allowed as a credit against the tax computed under the provisions of this act. Such credit shall not be greater in proportion to the tax computed under this act than the Kansas adjusted gross income for such year derived in another state while such taxpayer is a resident of this state is to the total Kansas adjusted gross income of the taxpayer. As used in this subsection, state shall have the meaning ascribed thereto by subsection (h) of K.S.A. 79-3271, and amendments thereto. The credit allowable hereunder for income tax paid to a foreign country or political subdivision thereof shall not exceed the difference of such income tax paid less the credit allowable for such income tax paid by the federal internal revenue code. No redetermination of income tax paid for the purposes of determining the credit allowed by this subsection shall be required for the taxable year for which an income tax refund payment pursuant to the provisions of section 18 of article 10 of the Missouri constitution is made, but the income tax paid allowable for credit in the next following taxable year shall be reduced by the amount of such refund amount, except that, for tax year 1998, the income tax paid allowable for credit shall be reduced by the amount of such refunds made for all taxable years prior to tax year 1998.
(b) There shall be allowed as a credit against the tax computed under the provisions of the Kansas income tax act, and acts amendatory thereof and supplemental amendments thereto, on the Kansas taxable income of an individual, corporation or fiduciary the amount determined under the provisions of K.S.A. 79-32,153 to 79-32,158, and amendments thereto.
Sec. 8. K.S.A. 2011 Supp. 79-32,117 is hereby amended to read as follows: 79-32,117. (a) The Kansas adjusted gross income of an
individual means such individual's federal adjusted gross income for the taxable year, with the modifications specified in this section. 

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

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

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

(iii) The federal net operating loss deduction.

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

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

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

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

(viii) The amount of any costs incurred for improvements to a swine facility, claimed for deduction in determining federal adjusted gross income, to the extent the same is claimed as the basis for any credit allowed pursuant to K.S.A. 2011 Supp. 79-32,204, and amendments thereto.

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

(x) Amounts received as nonqualified withdrawals, as defined by K.S.A. 2011 Supp. 75-643, and amendments thereto, if, at the time of contribution to a family postsecondary education savings account, such amounts were subtracted from the federal adjusted gross income pursuant to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amendments thereto, or if such amounts are not already included in the federal adjusted gross income.

(xi) The amount of any contribution made to the same extent the same is claimed as the basis for the credit allowed pursuant to K.S.A. 2011 Supp. 74-50,154, and amendments thereto.

(xii) For taxable years commencing after December 31, 2004, amounts received as withdrawals not in accordance with the provisions of K.S.A. 2011 Supp. 74-50,204, and amendments thereto, if, at the time of contribution to an individual development account, such amounts were subtracted from the federal adjusted gross income pursuant to paragraph (xiii) of subsection (c), or if such amounts are not already included in the federal adjusted gross income.

(xiii) The amount of any expenditures claimed for deduction in determining federal adjusted gross income, to the extent the same is claimed as the basis for any credit allowed pursuant to K.S.A. 2011 Supp. 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

(xiv) The amount of any amortization deduction claimed in determining federal adjusted gross income to the extent the same is claimed for deduction pursuant to K.S.A. 2011 Supp. 79-32,221, and amendments thereto.


(xvii) The amount of any amortization deduction claimed in determining federal adjusted gross income to the extent the same is claimed for deduction pursuant to K.S.A. 2011 Supp. 79-32,256, and amendments thereto.

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

(xix) The amount of any: (1) Loss up to $100,000 for tax years 2013, 2014 and 2015, up to $250,000 for tax years 2016 and 2017, and any loss for tax year 2018, and all tax years thereafter, from business as determined under the federal internal revenue code and reported from schedule C and on line 12 of the taxpayer's form 1040 federal individual income tax return; (2) loss up to $100,000 for tax years 2013, 2014 and 2015, up to $250,000 for tax years 2016, 2017, and any loss for tax year 2018, and all tax years thereafter, from rental real estate, royalties, partnerships, S corporations, estates, trusts, residual interest in real estate mortgage investment conduits and net farm rental as determined under the federal internal revenue code and reported from schedule E and on line 17 of the taxpayer's form 1040 federal individual income tax return; and (3) farm loss, up to $100,000 for tax years 2013, 2014 and 2015, up to $250,000 for tax years 2016 and 2017, and any farm loss for tax year 2018, and all tax years thereafter, as determined under the federal internal revenue code and reported from schedule F and on line 18 of the taxpayer's form 1040 federal income tax return, all to the extent deducted or subtracted in determining the taxpayer's federal adjusted gross income.
For purposes of this subsection, references to the federal form 1040 and federal schedule C, schedule E, and schedule F shall be to such form and schedules as they existed for tax year 2011, and as revised thereafter by the internal revenue service.

For a taxpayer who makes a modification pursuant to subsection (b)(xix) or (c)(xxi), the amount of any deduction for self-employment taxes under section 164(f) of the federal internal revenue code as in effect on January 1, 2012, and amendments thereto, in determining the federal adjusted gross income of an individual taxpayer.

For a taxpayer who makes a modification pursuant to subsection (b)(xx) or (c)(xxi), the amount of any deduction for pension, profit sharing, and annuity plans of self-employed individuals under section 62(a)(6) of the federal internal revenue code as in effect on January 1, 2012, and amendments thereto, in determining the federal adjusted gross income of an individual taxpayer.

For a taxpayer who makes a modification pursuant to subsection (b)(xxi) or (c)(xxi), the amount of any deduction for health insurance under section 162(l) of the federal internal revenue code as in effect on January 1, 2012, and amendments thereto, in determining the federal adjusted gross income of an individual taxpayer.

For a taxpayer who makes a modification pursuant to subsection (b)(xxii) or (c)(xxi), the amount of any deduction for domestic production activities under section 199 of the federal internal revenue code as in effect on January 1, 2012, and amendments thereto, in determining the federal adjusted gross income of an individual taxpayer.

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

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

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

(iii) The portion of any gain or loss from the sale or other disposition of property having a higher adjusted basis for Kansas income tax purposes than for federal income tax purposes on the date such property was sold or disposed of in a transaction in which gain or loss was recognized for purposes of federal income tax that does not exceed such difference in basis, but if a gain is considered a long-term capital gain for federal income tax purposes, the modification shall be limited to that portion of such gain which is included in federal adjusted gross income.
(iv) The amount necessary to prevent the taxation under this act of any annuity or other amount of income or gain which was properly included in income or gain and was taxed under the laws of this state for a taxable year prior to the effective date of this act, as amended, to the taxpayer, or to a decedent by reason of whose death the taxpayer acquired the right to receive the income or gain, or to a trust or estate from which the taxpayer received the income or gain.

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

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

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

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

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

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

(xi) For taxable years beginning after December 31, 1986, dividend income on stock issued by Kansas Venture Capital, Inc.

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

(xiii) For taxable years beginning after December 31, 2004, amounts contributed to and the amount of income earned on contributions deposited to an individual development account under K.S.A. 2011 Supp. 74-50,201, et seq., and amendments thereto.

(xiv) For all taxable years commencing after December 31, 1996, that
portion of any income of a bank organized under the laws of this state or
any other state, a national banking association organized under the laws of
the United States, an association organized under the savings and loan
code of this state or any other state, or a federal savings association
organized under the laws of the United States, for which an election as an
S corporation under subchapter S of the federal internal revenue code is in
effect, which accrues to the taxpayer who is a stockholder of such
corporation and which is not distributed to the stockholders as dividends of
the corporation. The amount of modification under this subsection shall
exclude the portion of income or loss reported on schedule E and included
on line 17 of the taxpayer's form 1040 federal individual income tax return
taken as a subtraction modification pursuant to subsection (c)(xxi).

(xv) For all taxable years beginning after December 31, 2006,
amounts not exceeding $3,000, or $6,000 for a married couple filing a
joint return, for each designated beneficiary which are contributed to a
family postsecondary education savings account established under the
Kansas postsecondary education savings program or a qualified tuition
program established and maintained by another state or agency or
instrumentality thereof pursuant to section 529 of the internal revenue
code of 1986, as amended, for the purpose of paying the qualified higher
education expenses of a designated beneficiary at an institution of
postsecondary education. The terms and phrases used in this paragraph
shall have the meaning respectively ascribed thereto by the provisions of
K.S.A. 2011 Supp. 75-643, and amendments thereto, and the provisions of
such section are hereby incorporated by reference for all purposes thereof.

(xvi) For the tax year beginning after December 31, 2004, an amount
not exceeding $500; for the tax year beginning after December 31, 2005,
an amount not exceeding $600; for the tax year beginning after December
31, 2006, an amount not exceeding $700; for the tax year beginning after
December 31, 2007, an amount not exceeding $800; for the tax year
beginning December 31, 2008, an amount not exceeding $900; and for all
taxable years commencing after December 31, 2009, an amount not
exceeding $1,000 of the premium costs for qualified long-term care
insurance contracts, as defined by subsection (b) of section 7702B of
public law 104-191.

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

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

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

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

(xxi) The amount of any: (1) Net profit from business not to exceed $100,000 for tax years 2013, 2014 and 2015, not to exceed $250,000 for tax years 2016 and 2017, and any net profit for tax year 2018, and all tax years thereafter, as determined under the federal internal revenue code and reported from schedule C and on line 12 of the taxpayer's form 1040 federal individual income tax return; (2) net income not to exceed $100,000 for tax years 2013, 2014 and 2015, not to exceed $250,000 for tax years 2016 and 2017, and any net income for tax year 2018, and all tax years thereafter, from rental real estate, royalties, partnerships, S corporations, estates, trusts, residual interest in real estate mortgage investment conduits and net farm rental as determined under the federal internal revenue code and reported from schedule E and on line 17 of the taxpayer's form 1040 federal individual income tax return; and (3) net farm profit not to exceed $100,000 for tax years 2013, 2014 and 2015, not to exceed $250,000 for tax years 2016 and 2017, and any net income for tax year 2018, and all tax years thereafter, as determined under the federal internal revenue code and reported from schedule F and on line 18 of the taxpayer's form 1040 federal income tax return; all to the extent included in the taxpayer's federal adjusted gross income. For purposes of this subsection, references to the federal form 1040 and federal schedule
C, schedule E, and schedule F, shall be to such form and schedules as they
existed for tax year 2011 and as revised thereafter by the internal revenue
service.

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

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

Sec. 9. K.S.A. 2011 Supp. 79-32,119 is hereby amended to read
as follows: 79-32,119. The Kansas standard deduction of an individual,
including a husband and wife who are either both residents or who file a
joint return as if both were residents, shall be equal to the sum of the
standard deduction amount allowed pursuant to this section, and the
additional standard deduction amount allowed pursuant to this section for
each such deduction allowable to such individual or to such husband and
wife under the federal internal revenue code. For tax year 1998, and all tax
years thereafter, the standard deduction amount shall be as follows: Single
individual filing status, $3,000; married filing status, $6,000; and head of
household filing status, $4,500. For tax year 1998, and all tax years
thereafter through tax year 2013, the additional standard deduction amount
shall be as follows: Single individual filing status, $850; and married filing status, $700. For tax year 2014, and all tax years
thereafter, the standard deduction amount of an individual, including
husband and wife who are either both residents or who file a joint return
as if both were residents, shall be as follows: Single individual filing
status, $3,000; married filing status, $6,000; and head of household filing
status, $9,000. For purposes of the foregoing, the federal standard
deduction allowable to a husband and wife filing separate Kansas income
tax returns shall be determined on the basis that separate federal returns
were filed, and the federal standard deduction of a husband and wife filing
a joint Kansas income tax return shall be determined on the basis that a
joint federal income tax return was filed.

Sec. 10. K.S.A. 79-32,128 is hereby amended to read as follows:
79-32,128. An individual who is a resident of Kansas for part of a year
shall have the election to:

(a) Report and compute his or her such individual's Kansas tax as if
he or she were such individual was a resident for the entire year and take
the applicable credit as provided in K.S.A. 79-32,111, and amendments
thereto; or
(b) report and compute his or her such individual's Kansas tax as if he or she were such individual was a nonresident for the entire year, except, however, that for purposes of this computation the following modifications shall be made: (i) modified Kansas source income for that period during which such individual was a resident shall include all items of income, gain, loss or deductions as set forth in K.S.A. 79-32,117, and amendments thereto, whether or not derived from sources within Kansas; and (ii) the credit provided by K.S.A. 79-32,111, and amendments thereto, shall be allowed. For purposes of computing such credit, the amount of income taxes paid to another state shall be deemed to be limited by an amount which bears the same proportion to the total taxes paid to such other state for such year as the amount of Kansas adjusted gross income derived from sources within that state while such individual was a resident bears to the total Kansas adjusted gross income derived from sources within such state for such year.

Sec. 11. K.S.A. 2011 Supp. 79-32,138 is hereby amended to read as follows: 79-32,138. (a) Kansas taxable income of a corporation taxable under this act shall be the corporation's federal taxable income for the taxable year with the modifications specified in this section.

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


(iii) The amount of any charitable contribution deduction claimed for any contribution or gift to or for the use of any racially segregated educational institution.

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

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


(iv) For all taxable years commencing after December 31, 1987, the amount included in federal taxable income pursuant to the provisions of section 78 of the internal revenue code.

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

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

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

Sec. 12. K.S.A. 2011 Supp. 79-32,143 is hereby amended to read as follows: 79-32,143. (a) For net operating losses incurred in taxable years beginning after December 31, 1987, a net operating loss deduction shall be allowed in the same manner that it is allowed under the federal internal revenue code except that such net operating loss may only be carried forward to each of the 10 taxable years following the taxable year of the net operating loss. For net operating farm losses, as defined by subsection (i) of section 172 of the federal internal revenue code, incurred in taxable years beginning after December 31, 1999, a net operating loss deduction shall be allowed in the same manner that it is allowed under the federal
internal revenue code except that such net operating loss may be carried forward to each of the 10 taxable years following the taxable year of the net operating loss. The amount of the net operating loss that may be carried back or forward for Kansas income tax purposes shall be that portion of the federal net operating loss allocated to Kansas under this act in the taxable year that the net operating loss is sustained.

(b) The amount of the loss to be carried back or forward will be the federal net operating loss after: (1) All modifications required under this act applicable to the net loss in the year the loss was incurred; and (2) after apportionment as to source in the case of corporations, nonresident individuals for losses incurred in taxable years beginning prior to January 1, 1978, and nonresident estates and trusts in the same manner that income for such corporations, nonresident individuals, estates and trusts is required to be apportioned.

(c) If a net operating loss was incurred in a taxable year beginning prior to January 1, 1988, the amount of the net operating loss that may be carried back and carried forward and the period for which it may be carried back and carried forward shall be determined under the provisions of the Kansas income tax laws which were in effect during the year that such net operating loss was incurred.

(d) If any portion of a net operating loss described in subsections (a) and (b) is not utilized prior to the final year of the carryforward period provided in subsection (a), a refund shall be allowable in such final year in an amount equal to the refund which would have been allowable in the taxable year the loss was incurred by utilizing the three year carryback provided under K.S.A. 79-32,143, as in effect on December 31, 1987, multiplied by a fraction, the numerator of which is the unused portion of such net operating loss in the final year, and the denominator of which is the amount of such net operating loss which could have been carried back to the three years immediately preceding the year in which the loss was incurred. In no event may such fraction exceed 1.

(e) Notwithstanding any other provisions of the Kansas income tax act, the net operating loss as computed under subsections (a), (b) and (c) of this section shall be allowed in full in determining Kansas taxable income or at the option of the taxpayer allowed in full in determining Kansas adjusted gross income.

(f) Commencing in tax year 2013, and all tax years thereafter, no refund of income tax which results from a net operating farm loss carryback shall be allowable in an amount exceeding $1,500 in any year. Any overpayment in excess of $1,500 may be carried forward to any year or years after the year of the loss and may be claimed as a credit against the tax. The refundable portion of such credit shall not exceed $1,500 in any year.
Sec. 13. K.S.A. 79-32,176 is hereby amended to read as follows: 79-32,176. (a) Any resident individual taxpayer who makes expenditures for the purpose of making all or any portion of an existing facility accesssible to individuals with a disability, which facility is used as, or in connection with, such taxpayer's principal dwelling or the principal dwelling of a lineal ascendant or descendant, including construction of a small barrier-free living unit attached to such principal dwelling, shall be entitled to claim a tax credit in an amount equal to the applicable percentage of such expenditures or $9,000, whichever is less, against the income tax liability imposed against such taxpayer pursuant to article 32 of chapter 79 of the Kansas Statutes Annotated and amendments thereto. Nothing in this subsection shall be deemed to prevent any such taxpayer from claiming such credit: (1) For each principal dwelling in which the taxpayer or lineal ascendant or descendant may reside, or facility used in connection therewith; or (2) more than once, but not more often than once every four-year period of time. The applicable percentage of such expenditures eligible for credit shall be as set forth in the following schedule:

<table>
<thead>
<tr>
<th>Taxpayers eligible for Kansas Adjusted Gross Income</th>
<th>% of expenditures eligible for credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $25,000</td>
<td>100%</td>
</tr>
<tr>
<td>Over $25,000 but not over $30,000</td>
<td>90%</td>
</tr>
<tr>
<td>Over $30,000 but not over $35,000</td>
<td>80%</td>
</tr>
<tr>
<td>Over $35,000 but not over $40,000</td>
<td>70%</td>
</tr>
<tr>
<td>Over $40,000 but not over $45,000</td>
<td>60%</td>
</tr>
<tr>
<td>Over $45,000 but not over $50,000</td>
<td>50%</td>
</tr>
<tr>
<td>Over $50,000</td>
<td>0%</td>
</tr>
</tbody>
</table>

Such tax credit shall be deducted from the taxpayer's income tax liability for the taxable year in which the expenditures are made by the taxpayer. If the amount of such tax credit exceeds the taxpayer's income tax liability for such taxable year, the amount thereof which exceeds such tax liability may be carried over for deduction from the taxpayer's income tax liability in the next succeeding taxable year or years until the total amount of the tax credit has been deducted from tax liability, except that no such tax credit shall be carried over for deduction after the fourth taxable year succeeding the taxable year in which the expenditures are made.

(b) Notwithstanding the provisions of subsection (a), if the amount of the taxpayer's tax liability is less than $2,250 in the first year in which the credit is claimed under this section, an amount equal to the amount by which 1/4 of the credit allowable under this section exceeds such tax liability shall be refunded to the taxpayer and the amount by which such
credit exceeds such tax liability less the amount of such refund may be carried over for the next three succeeding taxable years. If the amount of the taxpayer's tax liability is less than $2,250 in the second year in which the credit is claimed under this section, an amount equal to the amount by which 1/3 of the amount of the credit carried over from the first taxable year exceeds such tax liability shall be refunded to the taxpayer and the amount by which the amount of the credit carried over from the first taxable year exceeds such tax liability less the amount of such refund may be carried over for the next two succeeding taxable years. If the amount of the taxpayer's tax liability is less than $2,250 in the third year in which the credit is claimed under this section, an amount equal to the amount by which 1/2 of the amount carried over from the second taxable year exceeds such tax liability shall be refunded to the taxpayer and the amount by which the amount of the credit carried over from the second taxable year exceeds such tax liability less the amount of such refund may be carried over to the next succeeding taxable year. If the amount of the credit carried over from the third taxable year exceeds the taxpayer's income tax liability for such year, the amount thereof which exceeds such tax liability shall be refunded to the taxpayer. The provisions of this subsection shall not be effective for tax year 2013, and all tax years thereafter.

Sec. 14. K.S.A. 2011 Supp. 79-32,197 is hereby amended to read as follows: 79-32,197. The amount of credit allowed pursuant to K.S.A. 79-32,196, and amendments thereto, shall not exceed 50% of the total amount contributed during the taxable year by the business firm to a community service organization or governmental entity for programs approved pursuant to K.S.A. 79-32,198, and amendments thereto. The amount of credit allowed pursuant to K.S.A. 79-32,196, and amendments thereto, shall not exceed 70% of the total amount contributed during the taxable year by the business firm in a rural community to a community service organization or governmental entity located therein for programs approved pursuant to K.S.A. 79-32,198, and amendments thereto. If Commencing in tax year 2013, and all tax years thereafter, the amount of the credit allowed by K.S.A. 79-32,196, and amendments thereto, exceeds the taxpayer's income tax liability imposed under the Kansas income tax act, such excess amount shall be refunded to the taxpayer reduced by the sum of any other credits allowable against the tax liability of the taxpayer pursuant to law. In no event shall the total amount of credits allowed under this section exceed $4,130,000 for any one fiscal year.

Sec. 15. K.S.A. 2011 Supp. 79-32,205 is hereby amended to read as follows: 79-32,205. (a) There shall be allowed as a credit against the tax liability of a resident individual imposed under the Kansas income tax act an amount equal to 18% for tax years 2010 through 2012, and an
amount equal to 17% for tax year 2013, and an amount equal to 9% for tax year 2014, and all tax years thereafter, of the amount of the earned income credit allowed against such taxpayer's federal income tax liability pursuant to section 32 of the federal internal revenue code for the taxable year in which such credit was claimed against the taxpayer's federal income tax liability.

(b) If Commencing in tax year 2013, and all tax years thereafter, the amount of the credit allowed by subsection (a) exceeds the taxpayer's income tax liability imposed under the Kansas income tax act, such excess amount shall be refunded to the taxpayer reduced by the sum of any credits allowable against the income tax liability of the taxpayer pursuant to law.

Sec. 16. K.S.A. 2011 Supp. 79-32,210 is hereby amended to read as follows: 79-32,210. (a) For all taxable years commencing after December 31, 2000, and with respect to property initially acquired and first placed into service in this state on and after January 1, 2001, there shall be allowed as a credit against the tax liability imposed by the Kansas income tax act of a telecommunications company, as defined in K.S.A. 79-3271, and amendments thereto, an amount equal to the difference between the property tax levied for property tax year 2001, and all such years thereafter, and actually and timely paid during the appropriate income taxable year upon property assessed at the 33% assessment rate and the property tax which would be levied and paid on such property if assessed at a 25% assessment rate.

(b) Commencing in tax year 2013, and all tax years thereafter, the amount of the tax credit determined under subsection (a) shall not exceed the tax liability for the telecommunications company for any taxable year, the amount thereof which exceeds such tax liability shall be refunded to the telecommunications company reduced by the sum of any other credits allowable against the tax liability of the taxpayer pursuant to law. If the telecommunications company is a corporation having an election in effect under subchapter S of the federal internal revenue code, a partnership or a limited liability company, the credit provided by this section shall be claimed by the shareholders of such corporation, the partners of such partnership or the members of such limited liability company in the same manner as such shareholders, partners or members account for their proportionate shares of income or loss of the corporation, partnership or limited liability company.

(c) As used in this section, the term "acquired" shall not include the transfer of property pursuant to an exchange for stock securities, or the transfer of assets of one business entity to another due to a merger or other consolidation.
Sec. 14. K.S.A. 2011 Supp. 79-3606 is hereby amended to read as follows: 79-3606. The following shall be exempt from the tax imposed by this act:

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

(b) all sales of tangible personal property or service, including the renting and leasing of tangible personal property, purchased directly by the state of Kansas, a political subdivision thereof, other than a school or educational institution, or purchased by a public or private nonprofit hospital or public hospital authority or nonprofit blood, tissue or organ bank and used exclusively for state, political subdivision, hospital or public hospital authority or nonprofit blood, tissue or organ bank purposes, except when: (1) Such state, hospital or public hospital authority is engaged or proposes to engage in any business specifically taxable under the provisions of this act and such items of tangible personal property or service are used or proposed to be used in such business, or (2) such political subdivision is engaged or proposes to engage in the business of furnishing gas, electricity or heat to others and such items of personal property or service are used or proposed to be used in such business;

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

(d) all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping,
reconstructing, maintaining, repairing, enlarging, furnishing or
remodeling facilities for any public or private nonprofit hospital or
public hospital authority, public or private elementary or secondary
school, a public or private nonprofit educational institution, state
correctional institution including a privately constructed correctional
institution contracted for state use and ownership, which would be
exempt from taxation under the provisions of this act if purchased
directly by such hospital or public hospital authority, school,
educational institution or a state correctional institution; and all sales
of tangible personal property or services purchased by a contractor
for the purpose of constructing, equipping, reconstructing,
maintaining, repairing, enlarging, furnishing or remodeling facilities
for any political subdivision of the state or district described in
subsection (s), the total cost of which is paid from funds of such
political subdivision or district and which would be exempt from
taxation under the provisions of this act if purchased directly by such
political subdivision or district. Nothing in this subsection or in the
provisions of K.S.A. 12-3418, and amendments thereto, shall be
deemed to exempt the purchase of any construction machinery,
equipment or tools used in the constructing, equipping,
reconstructing, maintaining, repairing, enlarging, furnishing or
remodeling facilities for any political subdivision of the state or any
such district. As used in this subsection, K.S.A. 12-3418 and 79-3640,
and amendments thereto, "funds of a political subdivision" shall mean
general tax revenues, the proceeds of any bonds and gifts or grants-in-
ad. Gifts shall not mean funds used for the purpose of constructing,
equipping, reconstructing, repairing, enlarging, furnishing or
remodeling facilities which are to be leased to the donor. When any
political subdivision of the state, district described in subsection (s),
public or private nonprofit hospital or public hospital authority,
public or private elementary or secondary school, public or private
nonprofit educational institution, state correctional institution
including a privately constructed correctional institution contracted
for state use and ownership shall contract for the purpose of
constructing, equipping, reconstructing, maintaining, repairing,
enlarging, furnishing or remodeling facilities, it shall obtain from the
state and furnish to the contractor an exemption certificate for the
project involved, and the contractor may purchase materials for
incorporation in such project. The contractor shall furnish the
number of such certificate to all suppliers from whom such purchases
are made, and such suppliers shall execute invoices covering the same
bearing the number of such certificate. Upon completion of the project
the contractor shall furnish to the political subdivision, district
described in subsection (s), hospital or public hospital authority, school, educational institution or department of corrections concerned
a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under
this subsection. As an alternative to the foregoing procedure, any such contracting entity may apply to the secretary of revenue for agent
status for the sole purpose of issuing and furnishing project exemption certificates to contractors pursuant to rules and regulations adopted
by the secretary establishing conditions and standards for the granting and maintaining of such status. All invoices shall be held by
the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a
certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials which will not be so incorporated in the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, the political subdivision, district described in subsection (s), hospital or public hospital authority, school, educational institution or the contractor contracting with the department of corrections for a correctional institution concerned shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in subsection (g) of K.S.A. 79-3615, and amendments thereto;

(e) all sales of tangible personal property or services purchased by a contractor for the erection, repair or enlargement of buildings or other projects for the government of the United States, its agencies or instrumentalities, which would be exempt from taxation if purchased directly by the government of the United States, its agencies or instrumentalities. When the government of the United States, its agencies or instrumentalities shall contract for the erection, repair, or enlargement of any building or other project, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for
incorporation in such project. The contractor shall furnish the
number of such certificates to all suppliers from whom such purchases
are made, and such suppliers shall execute invoices covering the same
bearing the number of such certificate. Upon completion of the project
the contractor shall furnish to the government of the United States, its
agencies or instrumentalities concerned a sworn statement, on a form
to be provided by the director of taxation, that all purchases so made
were entitled to exemption under this subsection. As an alternative to
the foregoing procedure, any such contracting entity may apply to the
secretary of revenue for agent status for the sole purpose of issuing
and furnishing project exemption certificates to contractors pursuant
to rules and regulations adopted by the secretary establishing
conditions and standards for the granting and maintaining of such
status. All invoices shall be held by the contractor for a period of five
years and shall be subject to audit by the director of taxation. Any
contractor or any agent, employee or subcontractor thereof, who shall
use or otherwise dispose of any materials purchased under such a
certificate for any purpose other than that for which such a certificate
is issued without the payment of the sales or compensating tax
otherwise imposed upon such materials, shall be guilty of a
misdemeanor and, upon conviction therefor, shall be subject to the
penalties provided for in subsection (g) of K.S.A. 79-3615, and
amendments thereto;
(f) tangible personal property purchased by a railroad or public
utility for consumption or movement directly and immediately in
interstate commerce;
(g) sales of aircraft including remanufactured and modified
aircraft sold to persons using directly or through an authorized agent
such aircraft as certified or licensed carriers of persons or property in
interstate or foreign commerce under authority of the laws of the
United States or any foreign government or sold to any foreign
government or agency or instrumentality of such foreign government
and all sales of aircraft for use outside of the United States and sales of
aircraft repair, modification and replacement parts and sales of
services employed in the remanufacture, modification and repair of
aircraft;
(h) all rentals of nonsectarian textbooks by public or private
elementary or secondary schools;
(i) the lease or rental of all films, records, tapes, or any type of
sound or picture transcriptions used by motion picture exhibitors;
(j) meals served without charge or food used in the preparation of
such meals to employees of any restaurant, eating house, dining car,
hotel, drugstore or other place where meals or drinks are regularly
sold to the public if such employees' duties are related to the
furnishing or sale of such meals or drinks;
(k) any motor vehicle, semitrailer or pole trailer, as such terms
are defined by K.S.A. 8-126, and amendments thereto, or aircraft sold
and delivered in this state to a bona fide resident of another state,
which motor vehicle, semitrailer, pole trailer or aircraft is not to be
registered or based in this state and which vehicle, semitrailer, pole
trailer or aircraft will not remain in this state more than 10 days;
(l) all isolated or occasional sales of tangible personal property,
services, substances or things, except isolated or occasional sale of
motor vehicles specifically taxed under the provisions of subsection (o)
of K.S.A. 79-3603, and amendments thereto;
(m) all sales of tangible personal property which become an
ingredient or component part of tangible personal property or services
produced, manufactured or compounded for ultimate sale at retail
within or without the state of Kansas; and any such producer,
manufacturer or compounder may obtain from the director of
taxation and furnish to the supplier an exemption certificate number
for tangible personal property for use as an ingredient or component
part of the property or services produced, manufactured or
compounded;
(n) all sales of tangible personal property which is consumed in
the production, manufacture, processing, mining, drilling, refining or
compounding of tangible personal property, the treating of by-
products or wastes derived from any such production process, the
providing of services or the irrigation of crops for ultimate sale at
retail within or without the state of Kansas; and any purchaser of such
property may obtain from the director of taxation and furnish to the
supplier an exemption certificate number for tangible personal
property for consumption in such production, manufacture,
processing, mining, drilling, refining, compounding, treating,
irrigation and in providing such services;
(o) all sales of animals, fowl and aquatic plants and animals, the
primary purpose of which is use in agriculture or aquaculture, as
defined in K.S.A. 47-1901, and amendments thereto, the production of
food for human consumption, the production of animal, dairy, poultry
or aquatic plant and animal products, fiber or fur, or the production
of offspring for use for any such purpose or purposes;
(p) all sales of drugs dispensed pursuant to a prescription order
by a licensed practitioner or a mid-level practitioner as defined by
K.S.A. 65-1626, and amendments thereto. As used in this subsection,
"drug" means a compound, substance or preparation and any
component of a compound, substance or preparation, other than food
and food ingredients, dietary supplements or alcoholic beverages, recognized in the official United States pharmacopoeia, official homeopathic pharmacopoeia of the United States or official national formulary, and supplement to any of them, intended for use in the diagnosis, cure, mitigation, treatment or prevention of disease or intended to affect the structure or any function of the body;

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

(r) all sales of oxygen delivery equipment, kidney dialysis equipment, enteral feeding systems, prosthetic devices and mobility enhancing equipment prescribed in writing by a person licensed to practice the healing arts, dentistry or optometry, and in addition to such sales, all sales of hearing aids, as defined by subsection (c) of K.S.A. 74-5807, and amendments thereto, and repair and replacement parts therefor, including batteries, by a person licensed in the practice of dispensing and fitting hearing aids pursuant to the provisions of K.S.A. 74-5808, and amendments thereto. For the purposes of this subsection: (1) "Mobility enhancing equipment" means equipment including repair and replacement parts to same, but does not include durable medical equipment, which is primarily and customarily used to provide or increase the ability to move from one place to another and which is appropriate for use either in a home or a motor vehicle; is not generally used by persons with normal mobility; and does not include any motor vehicle or equipment on a motor vehicle normally provided by a motor vehicle manufacturer; and (2) "prosthetic device" means a replacement, corrective or supportive device including repair and replacement parts for same worn on or in the body to artificially replace a missing portion of the body, prevent or correct physical deformity or malfunction or support a weak or deformed portion of the body;

(s) except as provided in K.S.A. 2011 Supp. 82a-2101, and amendments thereto, all sales of tangible personal property or services purchased directly or indirectly by a groundwater management district organized or operating under the authority of K.S.A. 82a-1020 et seq., and amendments thereto, by a rural water district organized or operating under the authority of K.S.A. 82a-612, and amendments thereto, or by a water supply district organized or operating under the authority of K.S.A. 19-3501 et seq., 19-3522 et seq. or 19-3545, and amendments thereto, which property or services are used in the construction activities, operation or maintenance of the district;

(t) all sales of farm machinery and equipment or aquaculture
machinery and equipment, repair and replacement parts therefor and
services performed in the repair and maintenance of such machinery
and equipment. For the purposes of this subsection the term "farm
machinery and equipment or aquaculture machinery and equipment"
shall include a work-site utility vehicle, as defined in K.S.A. 8-126, and
amendments thereto, and is equipped with a bed or cargo box for
hauling materials, and shall also include machinery and equipment
used in the operation of Christmas tree farming but shall not include
any passenger vehicle, truck, truck tractor, trailer, semitrailer or pole
trailer, other than a farm trailer, as such terms are defined by K.S.A.
8-126, and amendments thereto. "Farm machinery and equipment"
includes precision farming equipment that is portable or is installed or
purchased to be installed on farm machinery and equipment.
"Precision farming equipment" includes the following items used only
in computer-assisted farming, ranching or aquaculture production
operations: Soil testing sensors, yield monitors, computers, monitors,
software, global positioning and mapping systems, guiding systems,
modems, data communications equipment and any necessary
mounting hardware, wiring and antennas. Each purchaser of farm
machinery and equipment or aquaculture machinery and equipment
exempted herein must certify in writing on the copy of the invoice or
sales ticket to be retained by the seller that the farm machinery and
equipment or aquaculture machinery and equipment purchased will
be used only in farming, ranching or aquaculture production.
Farming or ranching shall include the operation of a feedlot and farm
and ranch work for hire and the operation of a nursery;
(u) all leases or rentals of tangible personal property used as a
dwelling if such tangible personal property is leased or rented for a
period of more than 28 consecutive days;
(v) all sales of tangible personal property to any contractor for
use in preparing meals for delivery to homebound elderly persons
over 60 years of age and to homebound disabled persons or to be
served at a group-sitting at a location outside of the home to otherwise
homebound elderly persons over 60 years of age and to otherwise
homebound disabled persons, as all or part of any food service project
funded in whole or in part by government or as part of a private
nonprofit food service project available to all such elderly or disabled
persons residing within an area of service designated by the private
nonprofit organization, and all sales of tangible personal property for
use in preparing meals for consumption by indigent or homeless
individuals whether or not such meals are consumed at a place
designated for such purpose, and all sales of food products by or on
behalf of any such contractor or organization for any such purpose;
(w) all sales of natural gas, electricity, heat and water delivered through mains, lines or pipes: (1) To residential premises for noncommercial use by the occupant of such premises; (2) for agricultural use and also, for such use, all sales of propane gas; (3) for use in the severing of oil; and (4) to any property which is exempt from property taxation pursuant to K.S.A. 79-201b Second through Sixth. As used in this paragraph, "severing" shall have the meaning ascribed thereto by subsection (k) of K.S.A. 79-4216, and amendments thereto. For all sales of natural gas, electricity and heat delivered through mains, lines or pipes pursuant to the provisions of subsection (w)(1) and (w)(2), the provisions of this subsection shall expire on December 31, 2005;

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

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

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

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

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

(cc) all sales of tangible personal property or services purchased prior to January 1, 2012, except as otherwise provided, for the purpose of and in conjunction with constructing, reconstructing, enlarging or remodeling a business or retail business which meets the requirements established in K.S.A. 74-50,115, and amendments thereto, and the sale and installation of machinery and equipment purchased for installation at any such business or retail business, and
all sales of tangible personal property or services purchased on or after January 1, 2012, for the purpose of and in conjunction with constructing, reconstructing, enlarging or remodeling a business which meets the requirements established in K.S.A. 74-50,115(e), and amendments thereto, and the sale and installation of machinery and equipment purchased for installation at any such business. When a person shall contract for the construction, reconstruction, enlargement or remodeling of any such business or retail business, such person shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials, machinery and equipment for incorporation in such project. The contractor shall furnish the number of such certificates to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to the owner of the business or retail business a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials, machinery or equipment purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed thereon, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in subsection (g) of K.S.A. 79-3615, and amendments thereto. As used in this subsection, "business" and "retail business" have the meanings respectively ascribed thereto by K.S.A. 74-50,114, and amendments thereto. Project exemption certificates that have been previously issued under this subsection by the department of revenue pursuant to K.S.A. 74-50,115, and amendments thereto, but not including K.S.A. 74-50,115(e), and amendments thereto, prior to January 1, 2012, and have not expired will be effective for the term of the project or two years from the effective date of the certificate, whichever occurs earlier. Project exemption certificates that are submitted to the department of revenue prior to January 1, 2012, and are found to qualify will be issued a project exemption certificate that will be effective for a two-year period or for the term of the project, whichever occurs earlier;

(dd) all sales of tangible personal property purchased with food stamps issued by the United States department of agriculture;
(ee) all sales of lottery tickets and shares made as part of a lottery
operated by the state of Kansas;
(ff) on and after July 1, 1988, all sales of new mobile homes or
manufactured homes to the extent of 40% of the gross receipts,
determined without regard to any trade-in allowance, received from
such sale. As used in this subsection, "mobile homes" and
"manufactured homes" shall have the meanings ascribed thereto by
K.S.A. 58-4202, and amendments thereto;
(gg) all sales of tangible personal property purchased in
accordance with vouchers issued pursuant to the federal special
supplemental food program for women, infants and children;
(hh) all sales of medical supplies and equipment, including
durable medical equipment, purchased directly by a nonprofit skilled
nursing home or nonprofit intermediate nursing care home, as defined
by K.S.A. 39-923, and amendments thereto, for the purpose of
providing medical services to residents thereof. This exemption shall
not apply to tangible personal property customarily used for human
habitation purposes. As used in this subsection, "durable medical
equipment" means equipment including repair and replacement parts
for such equipment, which can withstand repeated use, is primarily
and customarily used to serve a medical purpose, generally is not
useful to a person in the absence of illness or injury and is not worn in
or on the body, but does not include mobility enhancing equipment as
defined in subsection (r), oxygen delivery equipment, kidney dialysis
equipment or enteral feeding systems;
(ii) all sales of tangible personal property purchased directly by a
nonprofit organization for nonsectarian comprehensive
multidiscipline youth development programs and activities provided
or sponsored by such organization, and all sales of tangible personal
property by or on behalf of any such organization. This exemption
shall not apply to tangible personal property customarily used for
human habitation purposes;
(jj) all sales of tangible personal property or services, including
the renting and leasing of tangible personal property, purchased
directly on behalf of a community-based mental retardation facility or
mental health center organized pursuant to K.S.A. 19-4001 et seq.,
and amendments thereto, and licensed in accordance with the
provisions of K.S.A. 75-3307b, and amendments thereto and all sales
of tangible personal property or services purchased by contractors
during the time period from July, 2003, through June, 2006, for the
purpose of constructing, equipping, maintaining or furnishing a new
facility for a community-based mental retardation facility or mental
health center located in Riverton, Cherokee County, Kansas, which
would have been eligible for sales tax exemption pursuant to this subsection if purchased directly by such facility or center. This exemption shall not apply to tangible personal property customarily used for human habitation purposes;

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

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

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

(2) For purposes of this subsection:

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

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

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

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

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

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

(3) For purposes of this subsection, machinery and equipment shall be deemed to be used as an integral or essential part of an integrated production operation when used:
(A) To receive, transport, convey, handle, treat or store raw materials in preparation of its placement on the production line;
(B) to transport, convey, handle or store the property undergoing manufacturing or processing at any point from the beginning of the production line through any warehousing or distribution operation of the final product that occurs at the plant or facility;
(C) to act upon, effect, promote or otherwise facilitate a physical change to the property undergoing manufacturing or processing;
(D) to guide, control or direct the movement of property undergoing manufacturing or processing;
(E) to test or measure raw materials, the property undergoing manufacturing or processing or the finished product, as a necessary part of the manufacturer's integrated production operations;
(F) to plan, manage, control or record the receipt and flow of inventories of raw materials, consumables and component parts, the flow of the property undergoing manufacturing or processing and the management of inventories of the finished product;
(G) to produce energy for, lubricate, control the operating of or otherwise enable the functioning of other production machinery and equipment and the continuation of production operations;
(H) to package the property being manufactured or processed in a container or wrapping in which such property is normally sold or transported;
(I) to transmit or transport electricity, coke, gas, water, steam or similar substances used in production operations from the point of generation, if produced by the manufacturer or processor at the plant site, to that manufacturer's production operation; or, if purchased or delivered from offsite, from the point where the substance enters the site of the plant or facility to that manufacturer's production operations;
(J) to cool, heat, filter, refine or otherwise treat water, steam, acid, oil, solvents or other substances that are used in production operations;
(K) to provide and control an environment required to maintain certain levels of air quality, humidity or temperature in special and limited areas of the plant or facility, where such regulation of temperature or humidity is part of and essential to the production process;
(L) to treat, transport or store waste or other byproducts of production operations at the plant or facility; or
(M) to control pollution at the plant or facility where the pollution is produced by the manufacturing or processing operation.

(4) The following machinery, equipment and materials shall be
deemed to be exempt even though it may not otherwise qualify as machinery and equipment used as an integral or essential part of an integrated production operation: (A) Computers and related peripheral equipment that are utilized by a manufacturing or processing business for engineering of the finished product or for research and development or product design; (B) machinery and equipment that is utilized by a manufacturing or processing business to manufacture or rebuild tangible personal property that is used in manufacturing or processing operations, including tools, dies, molds, forms and other parts of qualifying machinery and equipment; (C) portable plants for aggregate concrete, bulk cement and asphalt including cement mixing drums to be attached to a motor vehicle; (D) industrial fixtures, devices, support facilities and special foundations necessary for manufacturing and production operations, and materials and other tangible personal property sold for the purpose of fabricating such fixtures, devices, facilities and foundations. An exemption certificate for such purchases shall be signed by the manufacturer or processor. If the fabricator purchases such material, the fabricator shall also sign the exemption certificate; and (E) a manufacturing or processing business' laboratory equipment that is not located at the plant or facility, but that would otherwise qualify for exemption under subsection (3)(E).

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

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

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

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

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

(E) furniture and other furnishings;

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

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

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

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

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

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

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

(ll) all sales of educational materials purchased for distribution to
the public at no charge by a nonprofit corporation organized for the
purpose of encouraging, fostering and conducting programs for the
improvement of public health;

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

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

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

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

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

(rr) all sales of tangible personal property which will admit the purchaser thereof to any annual event sponsored by a nonprofit organization which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986;

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

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

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

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

(1) The American Heart Association, Kansas Affiliate, Inc. for the purposes of providing education, training, certification in emergency cardiac care, research and other related services to reduce disability and death from cardiovascular diseases and stroke;

(2) the Kansas Alliance for the Mentally Ill, Inc. for the purpose of advocacy for persons with mental illness and to education, research and support for their families;

(3) the Kansas Mental Illness Awareness Council for the purposes of advocacy for persons who are mentally ill and to education, research and support for them and their families;

(4) the American Diabetes Association Kansas Affiliate, Inc. for the purpose of eliminating diabetes through medical research, public education focusing on disease prevention and education, patient education including information on coping with diabetes, and professional education and training;

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

(6) the Kansas chapters of the Alzheimer's Disease and Related Disorders Association, Inc. for the purpose of providing assistance and support to persons in Kansas with Alzheimer's disease, and their families and caregivers;

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

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

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

(10) the Cystic Fibrosis Foundation, Heart of America Chapter, for the purposes of assuring the development of the means to cure and control cystic fibrosis and improving the quality of life for those with the disease;

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

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

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

(14) the Dreams Work, Inc., for the purpose of providing young adult day services to individuals with developmental disabilities and assisting families in avoiding institutional or nursing home care for a developmentally disabled member of their family;

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

(16) the Lyme Association of Greater Kansas City, Inc., for the purpose of providing support to persons with Lyme disease and public education relating to the prevention, treatment and cure of Lyme disease;

(17) the Dream Factory, Inc., for the purpose of granting the dreams of children with critical and chronic illnesses;

(18) the Ottawa Suzuki Strings, Inc., for the purpose of providing students and families with education and resources necessary to enable each child to develop fine character and musical ability to the fullest potential;

(19) the International Association of Lions Clubs for the purpose of creating and fostering a spirit of understanding among all people for humanitarian needs by providing voluntary services through community involvement and international cooperation;

(20) the Johnson County Young Matrons, Inc., for the purpose of promoting a positive future for members of the community through volunteerism, financial support and education through the efforts of an all volunteer organization;

(21) the American Cancer Society, Inc., for the purpose of eliminating cancer as a major health problem by preventing cancer, saving lives and diminishing suffering from cancer, through research, education, advocacy and service;

(22) the Community Services of Shawnee, Inc., for the purpose of providing food and clothing to those in need;

(23) the Angel Babies Association, for the purpose of providing assistance, support and items of necessity to teenage mothers and their babies; and

(24) the Kansas Fairgrounds Foundation for the purpose of the preservation, renovation and beautification of the Kansas State Fairgrounds;

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

(xx) all sales of tangible personal property and services purchased by a nonprofit zoo which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986, or on behalf of such zoo by an entity itself exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986 contracted with to operate such zoo and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities
for any nonprofit zoo which would be exempt from taxation under the
provisions of this section if purchased directly by such nonprofit zoo
or the entity operating such zoo. Nothing in this subsection shall be
deemed to exempt the purchase of any construction machinery,
equipment or tools used in the constructing, equipping,
reconstructing, maintaining, repairing, enlarging, furnishing or
remodeling facilities for any nonprofit zoo. When any nonprofit zoo
shall contract for the purpose of constructing, equipping,
reconstructing, maintaining, repairing, enlarging, furnishing or
remodeling facilities, it shall obtain from the state and furnish to the
contractor an exemption certificate for the project involved, and the
contractor may purchase materials for incorporation in such project.
The contractor shall furnish the number of such certificate to all
suppliers from whom such purchases are made, and such suppliers
shall execute invoices covering the same bearing the number of such
certificate. Upon completion of the project the contractor shall furnish
to the nonprofit zoo concerned a sworn statement, on a form to be
provided by the director of taxation, that all purchases so made were
entitled to exemption under this subsection. All invoices shall be held
by the contractor for a period of five years and shall be subject to
audit by the director of taxation. If any materials purchased under
such a certificate are found not to have been incorporated in the
building or other project or not to have been returned for credit or the
sales or compensating tax otherwise imposed upon such materials
which will not be so incorporated in the building or other project
reported and paid by such contractor to the director of taxation not
later than the 20th day of the month following the close of the month
in which it shall be determined that such materials will not be used for
the purpose for which such certificate was issued, the nonprofit zoo
concerned shall be liable for tax on all materials purchased for the
project, and upon payment thereof it may recover the same from the
contractor together with reasonable attorney fees. Any contractor or
any agent, employee or subcontractor thereof, who shall use or
otherwise dispose of any materials purchased under such a certificate
for any purpose other than that for which such a certificate is issued
without the payment of the sales or compensating tax otherwise
imposed upon such materials, shall be guilty of a misdemeanor and,
upon conviction therefor, shall be subject to the penalties provided for
in subsection (g) of K.S.A. 79-3615, and amendments thereto;
(yy) all sales of tangible personal property and services purchased
by a parent-teacher association or organization, and all sales of
tangible personal property by or on behalf of such association or
organization;
(zz) all sales of machinery and equipment purchased by over-the-air, free access radio or television station which is used directly and primarily for the purpose of producing a broadcast signal or is such that the failure of the machinery or equipment to operate would cause broadcasting to cease. For purposes of this subsection, machinery and equipment shall include, but not be limited to, that required by rules and regulations of the federal communications commission, and all sales of electricity which are essential or necessary for the purpose of producing a broadcast signal or is such that the failure of the electricity would cause broadcasting to cease;

(aaa) all sales of tangible personal property and services purchased by a religious organization which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code, and used exclusively for religious purposes, and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any such organization which would be exempt from taxation under the provisions of this section if purchased directly by such organization. Nothing in this subsection shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any such organization. When any such organization shall contract for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to such organization concerned a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials which will not be so incorporated in the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close
of the month in which it shall be determined that such materials will
not be used for the purpose for which such certificate was issued, such
organization concerned shall be liable for tax on all materials
purchased for the project, and upon payment thereof it may recover
the same from the contractor together with reasonable attorney fees.
Any contractor or any agent, employee or subcontractor thereof, who
shall use or otherwise dispose of any materials purchased under such a
certificate for any purpose other than that for which such a certificate
is issued without the payment of the sales or compensating tax
otherwise imposed upon such materials, shall be guilty of a
misdemeanor and, upon conviction therefor, shall be subject to the
penalties provided for in subsection (g) of K.S.A. 79-3615, and
amendments thereto. Sales tax paid on and after July 1, 1998, but
prior to the effective date of this act upon the gross receipts received
from any sale exempted by the amendatory provisions of this
subsection shall be refunded. Each claim for a sales tax refund shall be
verified and submitted to the director of taxation upon forms
furnished by the director and shall be accompanied by any additional
documentation required by the director. The director shall review
each claim and shall refund that amount of sales tax paid as
determined under the provisions of this subsection. All refunds shall
be paid from the sales tax refund fund upon warrants of the director
of accounts and reports pursuant to vouchers approved by the
director or the director's designee;

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

(ccc) on and after July 1, 1999, all sales of tangible personal
property and services purchased by a primary care clinic or health
center the primary purpose of which is to provide services to
medically underserved individuals and families, and which is exempt
from federal income taxation pursuant to section 501(c)(3) of the
federal internal revenue code, and all sales of tangible personal
property or services purchased by a contractor for the purpose of
constructing, equipping, reconstructing, maintaining, repairing,
enlarging, furnishing or remodeling facilities for any such clinic or
center which would be exempt from taxation under the provisions of
this section if purchased directly by such clinic or center. Nothing in
this subsection shall be deemed to exempt the purchase of any
construction machinery, equipment or tools used in the constructing,
equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any such clinic or center. When any such clinic or center shall contract for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to such clinic or center concerned a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials which will not be so incorporated in the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, such clinic or center concerned shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees.

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

(ddd) on and after January 1, 1999, and before January 1, 2000, all sales of materials and services purchased by any class II or III railroad as classified by the federal surface transportation board for the construction, renovation, repair or replacement of class II or III railroad track and facilities used directly in interstate commerce. In the event any such track or facility for which materials and services were purchased sales tax exempt is not operational for five years succeeding the allowance of such exemption, the total amount of sales
tax which would have been payable except for the operation of this
subsection shall be recouped in accordance with rules and regulations
adopted for such purpose by the secretary of revenue;
  (eee) on and after January 1, 1999, and before January 1, 2001,
all sales of materials and services purchased for the original
construction, reconstruction, repair or replacement of grain storage
facilities, including railroad sidings providing access thereto;
  (fff) all sales of material handling equipment, racking systems
and other related machinery and equipment that is used for the
handling, movement or storage of tangible personal property in a
warehouse or distribution facility in this state; all sales of installation,
repair and maintenance services performed on such machinery and
equipment; and all sales of repair and replacement parts for such
machinery and equipment. For purposes of this subsection, a
warehouse or distribution facility means a single, fixed location that
consists of buildings or structures in a contiguous area where storage
or distribution operations are conducted that are separate and apart
from the business' retail operations, if any, and which do not
otherwise qualify for exemption as occurring at a manufacturing or
processing plant or facility. Material handling and storage equipment
shall include aeration, dust control, cleaning, handling and other such
equipment that is used in a public grain warehouse or other
commercial grain storage facility, whether used for grain handling,
storage, grain refining or processing, or other grain treatment
operation;
  (ggg) all sales of tangible personal property and services
purchased by or on behalf of the Kansas Academy of Science which is
exempt from federal income taxation pursuant to section 501(c)(3) of
the federal internal revenue code of 1986, and used solely by such
academy for the preparation, publication and dissemination of
education materials;
  (hhh) all sales of tangible personal property and services
purchased by or on behalf of all domestic violence shelters that are
member agencies of the Kansas coalition against sexual and domestic
violence;
  (iii) all sales of personal property and services purchased by an
organization which is exempt from federal income taxation pursuant
to section 501(c)(3) of the federal internal revenue code of 1986, and
which such personal property and services are used by any such
organization in the collection, storage and distribution of food
products to nonprofit organizations which distribute such food
products to persons pursuant to a food distribution program on a
charitable basis without fee or charge, and all sales of tangible
personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities used for the collection and storage of such food products for any such organization which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986, which would be exempt from taxation under the provisions of this section if purchased directly by such organization. Nothing in this subsection shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any such organization. When any such organization shall contract for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to such organization concerned a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in such facilities or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials which will not be so incorporated in such facilities reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, such organization concerned shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in subsection (g) of K.S.A. 79-
3615, and amendments thereto. Sales tax paid on and after July 1, 2005, but prior to the effective date of this act upon the gross receipts received from any sale exempted by the amendatory provisions of this subsection shall be refunded. Each claim for a sales tax refund shall be verified and submitted to the director of taxation upon forms furnished by the director and shall be accompanied by any additional documentation required by the director. The director shall review each claim and shall refund that amount of sales tax paid as determined under the provisions of this subsection. All refunds shall be paid from the sales tax refund fund upon warrants of the director of accounts and reports pursuant to vouchers approved by the director or the director's designee;

(jjj) all sales of dietary supplements dispensed pursuant to a prescription order by a licensed practitioner or a mid-level practitioner as defined by K.S.A. 65-1626, and amendments thereto. As used in this subsection, "dietary supplement" means any product, other than tobacco, intended to supplement the diet that: (1) Contains one or more of the following dietary ingredients: A vitamin, a mineral, an herb or other botanical, an amino acid, a dietary substance for use by humans to supplement the diet by increasing the total dietary intake or a concentrate, metabolite, constituent, extract or combination of any such ingredient; (2) is intended for ingestion in tablet, capsule, powder, softgel, gelcap or liquid form, or if not intended for ingestion, in such a form, is not represented as conventional food and is not represented for use as a sole item of a meal or of the diet; and (3) is required to be labeled as a dietary supplement, identifiable by the supplemental facts box found on the label and as required pursuant to 21 C.F.R. § 101.36;

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

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

(nnn) all sales of tangible personal property and services purchased by the West Sedgwick County-Sunrise Rotary Club and Sunrise Charitable Fund for the purpose of constructing a boundless playground which is an integrated, barrier free and developmentally advantageous play environment for children of all abilities and disabilities;

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

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

(qqq) all sales of tangible personal property and services purchased by TLC for children and families, inc., hereinafter referred to as TLC, which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986, and which such property and services are used for the purpose of providing emergency shelter and treatment for abused and neglected children as well as meeting additional critical needs for children, juveniles and family, and all sales of any such property by or on behalf of TLC for any such purpose; and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for the operation of services for TLC for any such purpose which would be exempt from taxation under the provisions of this section if purchased directly by TLC. Nothing in this subsection shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, maintaining, repairing, enlarging, furnishing or remodeling such facilities for TLC. When TLC contracts for the purpose of constructing, maintaining, repairing, enlarging, furnishing or remodeling such facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices
covering the same bearing the number of such certificate. Upon
completion of the project the contractor shall furnish to TLC a sworn
statement, on a form to be provided by the director of taxation, that
all purchases so made were entitled to exemption under this
subsection. All invoices shall be held by the contractor for a period of
five years and shall be subject to audit by the director of taxation. If
any materials purchased under such a certificate are found not to have
been incorporated in the building or other project or not to have been
returned for credit or the sales or compensating tax otherwise imposed
upon such materials which will not be so incorporated in the building
or other project reported and paid by such contractor to the director
of taxation not later than the 20th day of the month following the close
of the month in which it shall be determined that such materials will
not be used for the purpose for which such certificate was issued, TLC
shall be liable for tax on all materials purchased for the project, and
upon payment thereof it may recover the same from the contractor
together with reasonable attorney fees. Any contractor or any agent,
employee or subcontractor thereof, who shall use or otherwise dispose
of any materials purchased under such a certificate for any purpose
other than that for which such a certificate is issued without the
payment of the sales or compensating tax otherwise imposed upon
such materials, shall be guilty of a misdemeanor and, upon conviction
thereof, shall be subject to the penalties provided for in subsection (g)
of K.S.A. 79-3615, and amendments thereto;
(rrr) all sales of tangible personal property and services
purchased by any county law library maintained pursuant to law and
sales of tangible personal property and services purchased by an
organization which would have been exempt from taxation under the
provisions of this subsection if purchased directly by the county law
library for the purpose of providing legal resources to attorneys,
judges, students and the general public, and all sales of any such
property by or on behalf of any such county law library;
(sss) all sales of tangible personal property and services
purchased by catholic charities or youthville, hereinafter referred to
as charitable family providers, which is exempt from federal income
taxation pursuant to section 501(c)(3) of the federal internal revenue
code of 1986, and which such property and services are used for the
purpose of providing emergency shelter and treatment for abused and
neglected children as well as meeting additional critical needs for
children, juveniles and family, and all sales of any such property by or
on behalf of charitable family providers for any such purpose; and all
sales of tangible personal property or services purchased by a
contractor for the purpose of constructing, maintaining, repairing,
enlarging, furnishing or remodeling facilities for the operation of services for charitable family providers for any such purpose which would be exempt from taxation under the provisions of this section if purchased directly by charitable family providers. Nothing in this subsection shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, maintaining, repairing, enlarging, furnishing or remodeling such facilities for charitable family providers. When charitable family providers contracts for the purpose of constructing, maintaining, repairing, enlarging, furnishing or remodeling such facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to charitable family providers a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials which will not be so incorporated in the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, charitable family providers shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in subsection (g) of K.S.A. 79-3615, and amendments thereto; (ttt) all sales of tangible personal property or services purchased by a contractor for a project for the purpose of restoring, constructing, equipping, reconstructing, maintaining, repairing,
enlarging, furnishing or remodeling a home or facility owned by a nonprofit museum which has been granted an exemption pursuant to subsection (qq), which such home or facility is located in a city which has been designated as a qualified hometown pursuant to the provisions of K.S.A. 75-5071 et seq., and amendments thereto, and which such project is related to the purposes of K.S.A. 75-5071 et seq., and amendments thereto, and which would be exempt from taxation under the provisions of this section if purchased directly by such nonprofit museum. Nothing in this subsection shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the restoring, constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling a home or facility for any such nonprofit museum. When any such nonprofit museum shall contract for the purpose of restoring, constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling a home or facility, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificates to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project, the contractor shall furnish to such nonprofit museum a sworn statement on a form to be provided by the director of taxation that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials which will not be so incorporated in a home or facility or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, such nonprofit museum shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be
guilty of a misdemeanor and, upon conviction therefor, shall be 
subject to the penalties provided for in subsection (g) of K.S.A. 79-
3615, and amendments thereto;
(uuu) all sales of tangible personal property and services 
purchased by Kansas children's service league, hereinafter referred to 
as KCSL, which is exempt from federal income taxation pursuant to 
section 501(c)(3) of the federal internal revenue code of 1986, and 
which such property and services are used for the purpose of 
providing for the prevention and treatment of child abuse and 
maltreatment as well as meeting additional critical needs for children, 
juveniles and family, and all sales of any such property by or on behalf 
of KCSL for any such purpose; and all sales of tangible personal 
property or services purchased by a contractor for the purpose of 
constructing, maintaining, repairing, enlarging, furnishing or 
remodeling facilities for the operation of services for KCSL for any 
such purpose which would be exempt from taxation under the 
provisions of this section if purchased directly by KCSL. Nothing in 
this subsection shall be deemed to exempt the purchase of any 
construction machinery, equipment or tools used in the constructing, 
maintaining, repairing, enlarging, furnishing or remodeling such 
facilities for KCSL. When KCSL contracts for the purpose of 
constructing, maintaining, repairing, enlarging, furnishing or 
remodeling such facilities, it shall obtain from the state and furnish to 
the contractor an exemption certificate for the project involved, and 
the contractor may purchase materials for incorporation in such 
project. The contractor shall furnish the number of such certificate to 
all suppliers from whom such purchases are made, and such suppliers 
shall execute invoices covering the same bearing the number of such 
certificate. Upon completion of the project the contractor shall furnish 
to KCSL a sworn statement, on a form to be provided by the director 
of taxation, that all purchases so made were entitled to exemption 
under this subsection. All invoices shall be held by the contractor for a 
period of five years and shall be subject to audit by the director of 
taxation. If any materials purchased under such a certificate are found 
not to have been incorporated in the building or other project or not 
to have been returned for credit or the sales or compensating tax 
otherwise imposed upon such materials which will not be so 
incorporated in the building or other project reported and paid by 
such contractor to the director of taxation not later than the 20th day 
of the month following the close of the month in which it shall be 
determined that such materials will not be used for the purpose for 
which such certificate was issued, KCSL shall be liable for tax on all 
materials purchased for the project, and upon payment thereof it may
recover the same from the contractor together with reasonable
attorney fees. Any contractor or any agent, employee or subcontractor
thereof, who shall use or otherwise dispose of any materials purchased
under such a certificate for any purpose other than that for which
such a certificate is issued without the payment of the sales or
compensating tax otherwise imposed upon such materials, shall be
guilty of a misdemeanor and, upon conviction therefor, shall be
subject to the penalties provided for in subsection (g) of K.S.A. 79-
3615, and amendments thereto;

(vvv) all sales of tangible personal property or services, including
the renting and leasing of tangible personal property or services,
purchased by Jazz in the Woods, Inc., a Kansas corporation which is
exempt from federal income taxation pursuant to section 501(c)(3) of
the federal internal revenue code, for the purpose of providing Jazz in
the Woods, an event benefiting children-in-need and other nonprofit
charities assisting such children, and all sales of any such property by
or on behalf of such organization for such purpose;

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

(xxx) all sales of personal property and services purchased by the
booth theatre foundation, inc., an organization which is exempt from
federal income taxation pursuant to section 501(c)(3) of the federal
internal revenue code of 1986, and which such personal property and
services are used by any such organization in the constructing,
equipping, reconstructing, maintaining, repairing, enlarging,
furnishing or remodeling of the booth theatre, and all sales of tangible
personal property or services purchased by a contractor for the
purpose of constructing, equipping, reconstructing, maintaining,
repairing, enlarging, furnishing or remodeling the booth theatre for
such organization, which would be exempt from taxation under the
provisions of this section if purchased directly by such organization.
Nothing in this subsection shall be deemed to exempt the purchase of
any construction machinery, equipment or tools used in the
constructing, equipping, reconstructing, maintaining, repairing,
enlarging, furnishing or remodeling facilities for any such
organization. When any such organization shall contract for the
purpose of constructing, equipping, reconstructing, maintaining,
repairing, enlarging, furnishing or remodeling facilities, it shall obtain
from the state and furnish to the contractor an exemption certificate


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

(yyy) all sales of tangible personal property and services purchased by TLC charities foundation, inc., hereinafter referred to as TLC charities, which is exempt from federal income taxation.
pursuant to section 501(c)(3) of the federal internal revenue code of 1986, and which such property and services are used for the purpose of encouraging private philanthropy to further the vision, values, and goals of TLC for children and families, inc.; and all sales of such property and services by or on behalf of TLC charities for any such purpose and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for the operation of services for TLC charities for any such purpose which would be exempt from taxation under the provisions of this section if purchased directly by TLC charities. Nothing in this subsection shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, maintaining, repairing, enlarging, furnishing or remodeling such facilities for TLC charities. When TLC charities contracts for the purpose of constructing, maintaining, repairing, enlarging, furnishing or remodeling such facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to TLC charities a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials which will not be incorporated into the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, TLC charities shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials,
shall be guilty of a misdemeanor and, upon conviction therefor, shall
be subject to the penalties provided for in subsection (g) of K.S.A. 79-
3615, and amendments thereto;

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

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

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

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

(dddd) all sales of tangible personal property or services
purchased by or on behalf of Goodwill Industries or Easter Seals of
Kansas, Inc., both of which are exempt from federal income taxation
pursuant to section 501(c)(3) of the federal internal revenue code, for
the purpose of providing education, training and employment
opportunities for people with disabilities and other barriers to
employment;

(eeee) all sales of tangible personal property or services
purchased by or on behalf of All American Beef Battalion, Inc., which
is exempt from federal income taxation pursuant to section 501(c)(3)
of the federal internal revenue code, for the purpose of educating,
promoting and participating as a contact group through the beef cattle
industry in order to carry out such projects that provide support and
morale to members of the United States armed forces and military
services; and
(fifth) all sales of tangible personal property and services
purchased by sheltered living, inc., which is exempt from federal
income taxation pursuant to section 501(c)(3) of the federal internal
revenue code of 1986, and which such property and services are used
for the purpose of providing residential and day services for people
with developmental disabilities or mental retardation, or both, and all
sales of any such property by or on behalf of sheltered living, inc. for
any such purpose; and all sales of tangible personal property or
services purchased by a contractor for the purpose of rehabilitating,
constructing, maintaining, repairing, enlarging, furnishing or
remodeling homes and facilities for sheltered living, inc. for any such
purpose which would be exempt from taxation under the provisions of
this section if purchased directly by sheltered living, inc. Nothing in
this subsection shall be deemed to exempt the purchase of any
construction machinery, equipment or tools used in the constructing,
maintaining, repairing, enlarging, furnishing or remodeling such
homes and facilities for sheltered living, inc. When sheltered living,
inc. contracts for the purpose of rehabilitating, constructing,
maintaining, repairing, enlarging, furnishing or remodeling such
homes and facilities, it shall obtain from the state and furnish to the
contractor an exemption certificate for the project involved, and the
contractor may purchase materials for incorporation in such project.
The contractor shall furnish the number of such certificate to all
suppliers from whom such purchases are made, and such suppliers
shall execute invoices covering the same bearing the number of such
certificate. Upon completion of the project the contractor shall furnish
to sheltered living, inc. a sworn statement, on a form to be provided by
the director of taxation, that all purchases so made were entitled to
exemption under this subsection. All invoices shall be held by the
contractor for a period of five years and shall be subject to audit by
the director of taxation. If any materials purchased under such a
certificate are found not to have been incorporated in the building or
other project or not to have been returned for credit or the sales or
compensating tax otherwise imposed upon such materials which will
not be so incorporated in the building or other project reported and
paid by such contractor to the director of taxation not later than the
20th day of the month following the close of the month in which it
shall be determined that such materials will not be used for the
purpose for which such certificate was issued, sheltered living, inc.
shall be liable for tax on all materials purchased for the project, and
upon payment thereof it may recover the same from the contractor
together with reasonable attorney fees. Any contractor or any agent, 
employee or subcontractor thereof, who shall use or otherwise dispose 
of any materials purchased under such a certificate for any purpose 
other than that for which such a certificate is issued without the 
payment of the sales or compensating tax otherwise imposed upon 
such materials, shall be guilty of a misdemeanor and, upon conviction 
therefor, shall be subject to the penalties provided for in subsection (g) 
of K.S.A. 79-3615, and amendments thereto;

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

(hhhh) all sales of food and food ingredients. As used in this 
subsection, a sale of food and food ingredients does not include a sale of 
alcoholic beverages as defined in subsection (c) of K.S.A. 79-3602, and 
amendments thereto; candy; dietary supplements as defined in subsection 
(jjj) of this section, food sold through vending machines; or sales of 
prepared food, soft drinks or tobacco as defined in subsection (qq) of 
K.S.A. 79-3602, and amendments thereto. As used in this subsection:

(1) "Candy" means a preparation of sugar, honey or other natural or 
artificial sweeteners in combination with chocolate, fruits, nuts or other 
ingredients or flavorings in the form of bars, drops or pieces. Candy shall 
ot include any preparation containing flour and shall require no 
refrigeration;

(2) "food and food ingredients" means substances, whether in liquid, 
concentrated, solid, frozen, dried or dehydrated form that are sold for 
ingestion or chewing by humans and are consumed for their taste or 
nutritional value;

(3) "food sold through vending machines" means food dispensed from 
a machine or other mechanical device that accepts payment;

(4) (A) "prepared food" means any of the following:
(i) Food sold in a heated state or heated by the seller;
(ii) two or more food ingredients mixed or combined by the seller for 
sale as a single item; or
(iii) food sold with eating utensils provided by the seller; including 
plates, knives, forks, spoons, glasses, cups, napkins or straws. A plate does 
not include a container or packaging used to transport the food.
(B) "Prepared food" does not include:
(i) Food that is only cut, repackaged or pasteurized by the seller;
(ii) eggs, fish, meat, poultry and foods containing these raw animal 
foods requiring cooking by the consumer as recommended by the United 
States food and drug administration, in chapter 3, part 401.11 of its food 
code, so as to prevent foodborne illnesses;
(iii) if sold without eating utensils provided by the seller; bakery 
items, including breads, rolls, buns, biscuits, bagels, croissants, pastries,
donuts, danishes, cakes, tortes, pies, tarts, muffins, bars, cookies and tortillas; or
(iv) if sold without eating utensils provided by the seller, food sold by a seller whose primary North American industry classification system, United States, 2002 edition, classification is manufacturing in sector 311, except subsection 3118;
(5) "soft drinks" means non alcoholic beverages that contain natural or artificial sweeteners. "Soft drinks" does not include beverages that contain milk or milk products; soy, rice or similar milk substitutes; or greater than 50% of vegetable or fruit juice by volume.

{Sec. 15. K.S.A. 2011 Supp. 79-32,211a is hereby amended to read as follows: 79-32,211a. (a) For taxable years commencing after December 31, 2006, subject to the provisions of subsection (d), any taxpayer which contributes, gifts or donates to a state-owned historic site or an organization which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986, which such organization owns and operates an historic site, to be used for the purpose of restoration, preservation or operation of such state-owned historic site or historic site or the establishment or maintenance of an endowment to provide for the future stability of such state-owned historic site or historic site shall be allowed a credit against the tax imposed by the Kansas income tax act, the premiums tax upon insurance companies imposed pursuant to K.S.A. 40-252, and amendments thereto, and the privilege tax imposed upon any national banking association, state bank, trust company or savings and loan association pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated in an amount equal to 50% of such contribution, gift or donation, if the total amount of such contribution, gift or donation is at least $1,000. The amount of the credit shall not exceed $2,500 for any one taxpayer in any one taxable year. In no event shall the total amount of credits allowed under this section exceed $200,000 in any one fiscal year.
(b) The credit allowed by this section shall be deducted from the taxpayer's income, premiums or privilege tax liability imposed for the taxable year in which the contribution, gift or donation is made.
(c) If the amount of the credit allowed by this section exceeds the taxpayer's income tax liability imposed under the Kansas income tax act, such excess amount shall be refunded to the taxpayer.
(d) The partnership historic site committee created pursuant to K.S.A. 2011 Supp. 75-2732, and amendments thereto, shall develop a prioritized list of historic sites other than state-owned historic sites to which contributions, gifts or donations to organizations which own and operate an historic site qualify for the tax credit provided in this
section. As used in this section: (1) "Contributions, gifts or donations" includes monetary contributions, gifts or donations and in kind contributions, gifts or donations that have an established market value;

(2) "historic site" means any building or structure that is significant in the history, architecture, archeology or culture of the state of Kansas or Kansas communities or the nation. Such historic site must be listed on the national register of historic places or the register of historic Kansas places, be open to the public or have the potential to be open to the public for at least 500 hours a year and be owned and operated for the purpose of educating the public about a specific aspect of Kansas and United States history; and

(3) "state-owned historic site" means an historic site under the jurisdiction and control of the state historical society.

(e) Any contribution, gift or donation that is the basis of the credit provided in this section shall not qualify as a qualified expenditure for the purpose of qualifying for the credit provided in K.S.A. 79-32,211, and amendments thereto.

(f) The provisions of this section shall expire on June 30, 2012.

Sec. 17. K.S.A. 2011 Supp. 79-3620 is hereby amended to read as follows: 79-3620. (a) All revenue collected or received by the director of taxation from the taxes imposed by this act shall be remitted to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury, less amounts withheld as provided in subsection (b) and amounts credited as provided in subsection (c), (d) and (e), to the credit of the state general fund.

(b) A refund fund, designated as "sales tax refund fund" not to exceed $100,000 shall be set apart and maintained by the director from sales tax collections and estimated tax collections and held by the state treasurer for prompt payment of all sales tax refunds including refunds authorized under the provisions of K.S.A. 79-3635, and amendments thereto. Such fund shall be in such amount, within the limit set by this section, as the director shall determine is necessary to meet current refunding requirements under this act. In the event such fund as established by this section is, at any time, insufficient to provide for the payment of refunds due claimants thereof, the director shall certify the amount of additional funds required to the director of accounts and reports who shall promptly transfer the required amount from the state general fund to the sales tax refund fund, and notify the state treasurer, who shall make proper entry in the records.

(c) (1) The state treasurer shall credit 5/98 of the revenue collected or received from the tax imposed by K.S.A. 79-3603, and amendments-
thereto, at the rate of 4.9%, and deposited as provided in subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

(2) The state treasurer shall credit 5/106 of the revenue collected or received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.3%, and deposited as provided in subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

(3) On July 1, 2006, the state treasurer shall credit 19/265 of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.3%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

(4) On July 1, 2007, the state treasurer shall credit 13/106 of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.3%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

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

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

(7) On July 1, 2012, the state treasurer shall credit 11.233% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 6.3%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund, as well as such revenue collected and received at the rate of 6.3%, after June 30, 2013.

(8) On July 1, 2013, and thereafter, the state treasurer shall credit 18.421%/11.926% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

(9) On July 1, 2014, the state treasurer shall credit 11.535% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.
On July 1, 2015, the state treasurer shall credit 20.159% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

On July 1, 2016, the state treasurer shall credit 20.096% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

On July 1, 2017, the state treasurer shall credit 20.004% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

On July 1, 2018, the state treasurer shall credit 19.977% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

On July 1, 2019, the state treasurer shall credit 19.921% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

On July 1, 2020, the state treasurer shall credit 19.867% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

On July 1, 2021, the state treasurer shall credit 19.814% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

On July 1, 2022, and thereafter, the state treasurer shall credit 18.421% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

The state treasurer shall credit all revenue collected or received from the tax imposed by K.S.A. 79-3603, and amendments thereto, as
certified by the director, from taxpayers doing business within that portion of a STAR bond project district occupied by a STAR bond project or taxpayers doing business with such entity financed by a STAR bond project as defined in K.S.A. 2011 Supp. 12-17,162, and amendments thereto, that was determined by the secretary of commerce to be of statewide as well as local importance or will create a major tourism area for the state or the project was designated as a STAR bond project as defined in K.S.A. 2011 Supp. 12-17,162, and amendments thereto, to the city bond finance fund, which fund is hereby created. The provisions of this subsection shall expire when the total of all amounts credited hereunder and under subsection (d) of K.S.A. 79-3710, and amendments thereto, is sufficient to retire the special obligation bonds issued for the purpose of financing all or a portion of the costs of such STAR bond project.

(e) All revenue certified by the director of taxation as having been collected or received from the tax imposed by subsection (c) of K.S.A. 79-3603, and amendments thereto, on the sale or furnishing of gas, water, electricity and heat for use or consumption within the intermodal facility district described in this subsection, shall be credited by the state treasurer to the state highway fund. Such revenue may be transferred by the secretary of transportation to the rail service improvement fund pursuant to law. The provisions of this subsection shall take effect upon certification by the secretary of transportation that a notice to proceed has been received for the construction of the improvements within the intermodal facility district, but not later than December 31, 2010, and shall expire when the secretary of revenue determines that the total of all amounts credited hereunder and pursuant to subsection (e) of K.S.A. 79-3710, and amendments thereto, is equal to $53,300,000, but not later than December 31, 2045. Thereafter, all revenues shall be collected and distributed in accordance with applicable law. For all tax reporting periods during which the provisions of this subsection are in effect, none of the exemptions contained in K.S.A. 79-3601 et seq., and amendments thereto, shall apply to the sale or furnishing of any gas, water, electricity and heat for use or consumption within the intermodal facility district. As used in this subsection, "intermodal facility district" shall consist of an intermodal transportation area as defined by subsection (oo) of K.S.A. 12-1770a, and amendments thereto, located in Johnson county within the polygonal-shaped area having Waverly Road as the eastern boundary, 191st Street as the southern boundary, Four Corners Road as the western boundary, and Highway 56 as the northern boundary, and the polygonal-shaped area having Poplar Road as the eastern boundary, 183rd Street as the southern boundary, Waverly Road as the western boundary, and the BNSF mainline track as the northern boundary, that includes capital investment in an
amount exceeding $150 million for the construction of an intermodal facility to handle the transfer, storage and distribution of freight through railway and trucking operations.

Sec. 18. K.S.A. 2011 Supp. 79-3635 is hereby amended to read as follows: 79-3635. (a) (1) A claimant shall be entitled to a refund of retailers' sales taxes paid upon food during the calendar year 2010 and each year thereafter in the amount hereinafter provided. There shall be allowed for each member of a household of a claimant having income of $17,500 or less, an amount equal to $90. There shall be allowed for each member of a household of a claimant having income of more than $17,500 but not more than $35,000, an amount equal to $45. There shall be allowed for a claimant who qualifies for an additional personal exemption amount pursuant to K.S.A. 79-32,121, and amendments thereto, an additional amount of $45 or $90, as the case requires. All such claims shall be paid from the sales tax refund fund upon warrants of the director of accounts and reports pursuant to vouchers approved by the director of taxation or by a person or persons designated by the director. The provisions of this subsection shall not be effective for tax year 2013, and all tax years thereafter.

(2) As an alternative to the procedure described by subsection (a)(1), for all taxable years commencing after December 31, 2009, there shall be allowed as a credit against the tax liability of a resident individual imposed under the Kansas income tax act an amount equal to $45 or $90, as the case requires, for each member of a household. There shall be allowed for a claimant who qualifies for an additional personal exemption amount pursuant to K.S.A. 79-32,121, and amendments thereto, an additional amount of $45 or $90, as the case requires. If commencing in tax year 2013, and all tax years thereafter, the amount of such tax credit exceeds shall not exceed the claimant's income tax liability for such taxable year, such excess amount shall be refunded to the claimant reduced by the sum of any other credits allowable against the tax liability of the taxpayer pursuant to law.

(b) A head of household shall make application for refunds for all members of the same household upon a common form provided for the making of joint claims. All claims paid to members of the same household shall be paid as a joint claim by means of a single warrant.

(c) No claim for a refund of taxes under the provisions of K.S.A. 79-3632 et seq., and amendments thereto, shall be paid or allowed unless such claim is actually filed with and in the possession of the department of revenue on or before April 15 of the year next succeeding the year in which such taxes were paid. The director of taxation may: (1) Extend the time for filing any claim under the provisions of this act when good cause exists therefor; or (2) accept a claim filed after the deadline for filing in the
case of sickness, absence or disability of the claimant if such claim has
been filed within four years of such deadline.

(d) In the case of all tax years commencing after December 31, 2010,
the threshold income amounts prescribed in this section and subsection (c)
of K.S.A. 79-3633, and amendments thereto, and the amounts of refund of
taxes and the amounts of the tax credit, both as prescribed in this section,
shall be increased by an amount equal to such threshold amount multiplied
by the cost-of-living adjustment determined under section 1 (f)(3) of the:
federal internal revenue code for the calendar year in which the taxable:
year commences.

Sec. 19. K.S.A. 2011 Supp. 79-3710 is hereby amended to read as:
follows: 79-3710. (a) All revenue collected or received by the director.
under the provisions of this act shall be remitted to the state treasurer in
accordance  with  the  provisions  of  K.S.A.  75-4215,  and  amendments
thereto. Upon receipt of each such remittance, the state treasurer shall:
deposit the entire amount in the state treasury, less amounts set apart as:
provided in subsection (b) and amounts credited as provided in subsection
(e), (d) and (e), to the credit of the state general fund.

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

(e) (1) The state treasurer shall credit 5/98 of the revenue collected or
received from the tax imposed by K.S.A. 79-3703, and amendments
thereof, at the rate of 4.9%, and deposited as provided in subsection (a).
exclusive of amounts credited pursuant to subsection (d), in the state
highway fund.

(2) The state treasurer shall credit 5/106 of the revenue collected or
received from the tax imposed by K.S.A. 79-3703, and amendments
thereof, at the rate of 5.3%, and deposited as provided in subsection (a).
exclusive of amounts credited pursuant to subsection (d), in the state
highway fund.

(3) On July 1, 2006, the state treasurer shall credit 19/265 of the
revenue collected or received from the tax imposed by K.S.A. 79-2702,
and amendments thereto, at the rate of 5.3%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(4) On July 1, 2007, the state treasurer shall credit 13/106 of the
revenue collected or received from the tax imposed by K.S.A. 79-2702,
and amendments thereto, at the rate of 5.3%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

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

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

(7) On July 1, 2012, the state treasurer shall credit 11.233% of the
revenue collected and received from the tax imposed by K.S.A. 79-3703,
and amendments thereto, at the rate of 6.3%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund, as well as such revenue collected and received at
the rate of 6.3%, after June 30, 2013.

(8) On July 1, 2013, and thereafter, the state treasurer shall credit
18.421% of the revenue collected and received from the tax
imposed by K.S.A. 79-3703, and amendments thereto, at the rate of 5.7%,
and deposited as provided by subsection (a), exclusive of amounts credited
pursuant to subsection (d), in the state highway fund.

(9) On July 1, 2014, the state treasurer shall credit 11.535% of the
revenue collected and received from the tax imposed by K.S.A. 79-3703,
and amendments thereto, at the rate of 5.7%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(10) On July 1, 2015, the state treasurer shall credit 20.159% of the
revenue collected and received from the tax imposed by K.S.A. 79-3703,
and amendments thereto, at the rate of 5.7%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(11) On July 1, 2016, the state treasurer shall credit 20.096% of the
revenue collected and received from the tax imposed by K.S.A. 79-3703,
and amendments thereto, at the rate of 5.7%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(12) On July 1, 2017, the state treasurer shall credit 20.004% of the
revenue collected and received from the tax imposed by K.S.A. 79-3703,
and amendments thereto, at the rate of 5.7%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.
(13) On July 1, 2018, the state treasurer shall credit 19.977% of the revenue collected and received from the tax imposed by K.S.A. 79-3703, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

(14) On July 1, 2019, the state treasurer shall credit 19.921% of the revenue collected and received from the tax imposed by K.S.A. 79-3703, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

(15) On July 1, 2020, the state treasurer shall credit 19.867% of the revenue collected and received from the tax imposed by K.S.A. 79-3703, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

(16) On July 1, 2021, the state treasurer shall credit 19.814% of the revenue collected and received from the tax imposed by K.S.A. 79-3703, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

(17) On July 1, 2022, and thereafter, the state treasurer shall credit 18.421% of the revenue collected and received from the tax imposed by K.S.A. 79-3703, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

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

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

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

Sec. 20. K.S.A. 2011 Supp. 79-4217 is hereby amended to read as follows: 79-4217. (a) There is hereby imposed an excise tax upon the severance and production of coal, oil or gas from the earth or water in this state for sale, transport, storage, profit or commercial use, subject to the following provisions of this section. Such tax shall be borne ratably by all persons within the term "producer", as such term is defined in K.S.A. 79-4216, and amendments thereto, in proportion to their respective beneficial interest in the coal, oil or gas severed. Such tax shall be applied equally to all portions of the gross value of each barrel of oil severed and subject to such tax and to the gross value of the gas severed and subject to such tax. The rate of such tax shall be 8% of the gross value of all oil or gas severed from the earth or water in this state and subject to the tax imposed under this act. The rate of such tax with respect to coal shall be $1 per ton. For
the purposes of the tax imposed hereunder the amount of oil or gas produced shall be measured or determined: (1) In the case of oil, by tank tables compiled to show 100% of the full capacity of tanks without deduction for overage or losses in handling; allowance for any reasonable and bona fide deduction for basic sediment and water, and for correction of temperature to 60 degrees Fahrenheit will be allowed; and if the amount of oil severed has been measured or determined by tank tables compiled to show less than 100% of the full capacity of tanks, such amount shall be raised to a basis of 100% for the purpose of the tax imposed by this act; and (2) in the case of gas, by meter readings showing 100% of the full volume expressed in cubic feet at a standard base and flowing temperature of 60 degrees Fahrenheit, and at the absolute pressure at which the gas is sold and purchased; correction to be made for pressure according to Boyle's law, and used for specific gravity according to the gravity at which the gas is sold and purchased, or if not so specified, according to the test made by the balance method.

(b) The following shall be exempt from the tax imposed under this section:

(1) The severance and production of gas which is: (A) Injected into the earth for the purpose of lifting oil, recycling or repressuring; (B) used for fuel in connection with the operation and development for, or production of, oil or gas in the lease or production unit where severed; (C) lawfully vented or flared; (D) severed from a well having an average daily production during a calendar month having a gross value of not more than $87 per day, which well has not been significantly curtailed by reason of mechanical failure or other disruption of production; in the event that the production of gas from more than one well is gauged by a common meter, eligibility for exemption hereunder shall be determined by computing the gross value of the average daily combined production from all such wells and dividing the same by the number of wells gauged by such meter; (E) inadvertently lost on the lease or production unit by reason of leaks, blowouts or other accidental losses; (F) used or consumed for domestic or agricultural purposes on the lease or production unit from which it is severed; or (G) placed in underground storage for recovery at a later date and which was either originally severed outside of the state of Kansas, or as to which the tax levied pursuant to this act has been paid:

(2) The severance and production of oil which is: (A) From a lease or production unit whose average daily production is five barrels or less per producing well, which well or wells have not been significantly curtailed by reason of mechanical failure or other disruption of production; (B) from a lease or production unit, the producing well or wells upon which have a completion depth of 2,000 feet or more, and whose average daily production is six barrels or less per producing well or, if the price of oil as
determined pursuant to subsection (d) is $16 or less, whose average daily production is seven barrels or less per producing well, or, if the price of oil as determined pursuant to subsection (d) is $15 or less, whose average daily production is eight barrels or less per producing well, or, if the price of oil as determined pursuant to subsection (d) is $14 or less, whose average daily production is nine barrels or less per producing well, or, if the price of oil as determined pursuant to subsection (d) is $13 or less, whose average daily production is 10 barrels or less per producing well, which well or wells have not been significantly curtailed by reason of mechanical failure or other disruption of production; (C) from a lease or production unit, whose production results from a tertiary recovery process. "Tertiary recovery process" means the process or processes described in subparagraphs (1) through (9) of 10 C.F.R. § 212.78(c) as in effect on June 1, 1979; (D) from a lease or production unit, the producing well or wells upon which have a completion depth of less than 2,000 feet and whose average daily production resulting from a water flood process, is six barrels or less per producing well, which well or wells have not been significantly curtailed by reason of mechanical failure or other disruption of production; (E) from a lease or production unit, the producing well or wells upon which have a completion depth of 2,000 feet or more, and whose average daily production resulting from a water flood process, is seven barrels or less per producing well or, if the price of oil as determined pursuant to subsection (d) is $16 or less, whose average daily production is eight barrels or less per producing well, or, if the price of oil as determined pursuant to subsection (d) is $15 or less, whose average daily production is nine barrels or less per producing well, or, if the price of oil as determined pursuant to subsection (d) is $14 or less, whose average daily production is 10 barrels or less per producing well, which well or wells have not been significantly curtailed by reason of mechanical failure or other disruption of production; (F) test, frac or swab oil which is sold or exchanged for value; or (G) inadvertently lost on the lease or production unit by reason of leaks or other accidental means;

(3) (A) any taxpayer applying for an exemption pursuant to subsection (b)(2)(A) and (B) shall make application biennially to the director of taxation therefor. Exemptions granted pursuant to subsection (b)(2)(A) and (B) shall be valid for a period of two years following the date of certification thereof by the director of taxation; (B) any taxpayer applying for an exemption pursuant to subsection (b)(2)(D) or (E) shall make application biennially to the director of taxation therefor. Such application shall be accompanied by proof of the approval of an application for the utilization of a water flood process therefor by the corporation commission pursuant to rules and regulations adopted under the authority of K.S.A. 55-152, and amendments thereto, and proof that
the oil produced therefrom is kept in a separate tank battery and that separate books and records are maintained therefor. Such exemption shall be valid for a period of two years following the date of certification thereof by the director of taxation; (C) any exemption granted pursuant to subsections (b)(2)(A), (B), (D) or (E) with an odd lease number and an exemption termination date between June 1, 2004, and May 31, 2005, inclusive, shall be valid for a period of one year following the date of certification; and (D) notwithstanding the provisions of paragraph (A) or (B), any exemption in effect on the effective date of this act affected by the amendments to subsection (b)(2) by this act shall be redetermined in accordance with such amendments. Any such exemption, and any new exemption established by such amendments and applied for after the effective date of this shall be valid for a period commencing with May 1, 1998, and ending on April 30, 1999.

(4) the severance and production of gas or oil from any pool from which oil or gas was first produced on or after April 1, 1983, and prior to July 1, 2012, as determined by the state corporation commission and certified to the director of taxation, and continuing for a period of 24 months from the month in which oil or gas was first produced from such pool as evidenced by an affidavit of completion of a well, filed with the state corporation commission and certified to the director of taxation. Exemptions granted for production from any well pursuant to this paragraph shall be valid for a period of 24 months following the month in which oil or gas was first produced from such pool. The term "pool" means an underground accumulation of oil or gas in a single and separate natural reservoir characterized by a single pressure system so that production from one part of the pool affects the reservoir pressure throughout its extent;

(5) the severance and production of oil not to exceed 250 barrels per day from any pool from which oil was first produced on or after July 1, 2012, as determined by the state corporation commission and certified to the director of taxation, and continuing for a period of 24 months from the month in which oil was first produced from such pool as evidenced by an affidavit of completion of a well, filed with the state corporation commission and certified to the director of taxation. Exemptions granted for production from any well pursuant to this subsection shall be valid for a period of 24 months following the month in which oil was first produced from such pool. The term "pool" means an underground accumulation of oil in a single and separate natural reservoir characterized by a single pressure system so that production from one part of the pool affects the reservoir pressure throughout its extent;

(6) the severance and production of oil or gas from a three-year inactive well, as determined by the state corporation commission and
certified to the director of taxation, for a period of 10 years after the date
of receipt of such certification. As used in this paragraph, "three-year
inactive well" means any well that has not produced oil or gas in more
than one month in the three years prior to the date of application to the
state corporation commission for certification as a three-year inactive well.
An application for certification as a three-year inactive well shall be in
such form and contain such information as required by the state
corporation commission, and shall be made prior to July 1, 1996. The
commission may revoke a certification if information indicates that a
certified well was not a three-year inactive well or if other lease
production is credited to the certified well. Upon notice to the operator that
the certification for a well has been revoked, the exemption shall not be
applied to the production from that well from the date of revocation;

(6)(7)(A) The incremental severance and production of oil or gas
which results from a production enhancement project begun on or after
July 1, 1998, shall be exempt for a period of seven years from the startup
date of such project. As used in this paragraph (6):

(1) "Incremental severance and production" means the amount of oil
or natural gas which is produced as the result of a production enhancement
project which is in excess of the base production of oil or natural gas, and
is determined by subtracting the base production from the total monthly
production after the production enhancement project is completed.

(2) "Base production" means the average monthly amount of
production for the twelve-month period immediately prior to the
production enhancement project beginning date, minus the monthly rate of
production decline for the well or project for each month beginning 180
days prior to the project beginning date. The monthly rate of production
decline shall be equal to the average extrapolated monthly decline rate for
the well or project for the twelve-month period immediately prior to the
production enhancement project beginning date, except that the monthly
rate of production decline shall be equal to zero in the case where the well
or project has experienced no monthly decline during the twelve-month
period immediately prior to the production enhancement project beginning
date. Such monthly rate of production decline shall be continued as the
decline that would have occurred except for the enhancement project. Any
well or project which may have produced during the twelve-month period
immediately prior to the production enhancement project beginning date
but is not capable of production on the project beginning date shall have a
base production equal to zero. The calculation of the base production
amount shall be evidenced by an affidavit and supporting documentation
filed by the applying taxpayer with the state corporation commission.

(2) "Workover" means any downhole operation in an existing oil or
gas well that is designed to sustain, restore or increase the production rate.
or ultimate recovery of oil or gas, including but not limited to acidizing, reperforation, fracture treatment, sand/paraffin/scale removal or other wellbore cleanouts, easing repair, squeeze cementing, initial installation, or enhancement of artificial lifts including plunger lifts, rods, pumps, submersible pumps and coiled tubing velocity strings, downsizing existing tubing to reduce well loading, downhole commingling, bacteria treatments, polymer treatments, upgrading the size of pumping unit equipment, setting bridge plugs to isolate water production zones, or any combination of the aforementioned operations; "workover" shall not mean the routine maintenance, routine repair, or like for like replacement of downhole equipment such as rods, pumps, tubing packers or other mechanical device.

(4) "Production enhancement project" means performing or causing to be performed the following:

(i) Workover;

(ii) Recompletion to a different producing zone in the same well bore except recompletions in formations and zones subject to a state corporation commission proration order;

(iii) Secondary recovery projects;

(iv) Addition of mechanical devices to dewater a gas or oil well;

(v) Replacement or enhancement of surface equipment;

(vi) Installation or enhancement of compression equipment, line-looping or other techniques or equipment which increases production from a well or a group of wells in a project;

(vii) New discoveries of oil or gas which are discovered as a result of the use of new technology, including, but not limited to, three dimensional seismic studies.

(B) The state corporation commission shall adopt rules and regulations necessary to efficiently and properly administer the provisions of this paragraph (6) including rules and regulations for the qualification of production enhancement projects, the procedures for determining the monthly rate of production decline, criteria for determining the share of incremental production attributable to each well when a production enhancement project includes a group of wells, criteria for determining the start-up date for any project for which an exemption is claimed, and determining new qualifying technologies for the purposes of paragraph (6) subsection (7)(A)(4)(vii).

(C) Any taxpayer applying for an exemption pursuant to this paragraph (6) shall make application to the director of taxation. Such application shall be accompanied by a state corporation commission certification that the production for which an exemption is sought results from a qualified production enhancement project and certification of the base production for the enhanced wells or group of wells, and the rate of
decline to be applied to that base production. The secretary of revenue shall provide credit for any taxes paid between the project startup date and the certification of qualifications by the commission.

(D) The exemptions provided for in this paragraph (6) shall not apply for 12 months beginning July 1 of the year subsequent to any calendar year during which: (1) In the case of oil, the secretary of revenue determines that the weighted average price of Kansas oil at the wellhead has exceeded $20.00 per barrel; or (2) in the case of natural gas the secretary of revenue determines that the weighted average price of Kansas gas at the wellhead has exceeded $2.50 per Mcf.

(E) The provisions of this paragraph (6) shall not affect any other exemption allowable pursuant to this section; and

(7) for the calendar year 1988, and any year thereafter, the severance or production of the first 350,000 tons of coal from any mine as certified by the state geological survey.

(c) No exemption shall be granted pursuant to subsection (b)(3) or (4) to any person who does not have a valid operator's license issued by the state corporation commission, and no refund of tax shall be made to any taxpayer attributable to any production in a period when such taxpayer did not hold a valid operator's license issued by the state corporation commission.

(d) On April 15, 1988, and on April 15 of each year thereafter, the secretary of revenue shall determine from statistics compiled and provided by the United States department of energy, the average price per barrel paid by the first purchaser of crude oil in this state for the six-month period ending on December 31 of the preceding year. Such price shall be used for the purpose of determining exemptions allowed by subsection (b)(2)(B) or (E) for the twelve month period commencing on May 1 of such year and ending on April 30 of the next succeeding year.

New Sec. 21 {16}. (a) For Kansas income tax purposes: (1) The basis of a partner's interest in a partnership formed prior to January 1, 2013, shall be determined by computing the basis as of January 1, 2013, in accordance with section 705 of the federal internal revenue code as in effect on January 1, 2013, and amendments thereto, and making any subsequent adjustments to the partner's interest as provided in section 733 of the federal internal revenue code as in effect on January 1, 2013, and amendments thereto.

(2) The basis of a partner's interest in a partnership formed on or after January 1, 2013, shall be determined by computing the basis as of the date of formation of the partnership in accordance with section 705 of the federal internal revenue code as in effect on January 1, 2013, and amendments thereto, and making any subsequent adjustments to the partner's interest as provided in section 733 of the federal internal revenue code as in effect on January 1, 2013, and amendments thereto.
code as in effect on January 1, 2013, and amendments thereto.

(b) (1) The basis of each shareholder's stock and indebtedness in an S corporation formed prior to January 1, 2013, shall be determined by computing the basis as of January 1, 2013, in accordance with section 1367 of the federal internal revenue code as in effect on January 1, 2013, and amendments thereto, and making any subsequent adjustments to the shareholder's stock and indebtedness as provided in section 1367(a)(2)(A) of the federal internal revenue code as in effect on January 1, 2013, and amendments thereto.

(2) The basis of each shareholder's stock and indebtedness in an S corporation formed on or after January 1, 2013, shall be determined by computing the basis as of the date of formation of the S corporation in accordance with section 1367 of the federal internal revenue code as in effect on January 1, 2013, and amendments thereto, and making any subsequent adjustments to the shareholder's stock and indebtedness as provided in section 1367(a)(2)(A) of the federal internal revenue code as in effect on January 1, 2013, and amendments thereto.

(c) The provisions of this section shall be effective for tax year 2013, and all tax years thereafter.

{Sec. 17. K.S.A. 2011 Supp. 79-32,143a is hereby amended to read as follows: 79-32,143a (a) For taxable years beginning after December 31, 2011, a taxpayer may elect to take an expense deduction from Kansas net income before expensing or recapture allocated or apportioned to this state for the cost of the following property placed in service in this state during the taxable year: (1) Tangible property eligible for depreciation under the modified accelerated cost recovery system in section 168 of the internal revenue code, as amended, but not including residential rental property, nonresidential real property, any railroad grading or tunnel bore or any other property with an applicable recovery period in excess of 25 years as defined under section 168(c) or (g) of the internal revenue code, as amended; and (2) computer software as defined in section 197(e)(3)(B) of the internal revenue code, as amended, and as described in section 197(e)(3)(A)(i) of the internal revenue code, as amended, to which section 167 of the internal revenue code, as amended, applies. If such election is made, the amount of expense deduction for such cost shall equal the difference between the depreciable cost of such property for federal income tax purposes and the amount of bonus depreciation being claimed for such property pursuant to section 168(k) of the internal revenue code, as amended, for federal income tax purposes in such tax year, but without regard to any expense deduction being claimed for such property under section 179 of the internal revenue code, as amended, multiplied by the applicable factor, determined by using, the
table provided in subsection (f), based on the method of depreciation
selected pursuant to section 168(b)(1), (2), or (3) or (g) of the internal
revenue code, as amended, and the applicable recovery period for
such property as defined under section 168(c) or (g) of the internal
revenue code, as amended. This election shall be made by the due date
of the original return, including any extensions, and may be made only
for the taxable year in which the property is placed in service, and
once made, shall be irrevocable. If the section 179 expense deduction
election has been made for federal income tax purposes for any asset,
the applicable factor to be utilized is in the IRC § 168 (b)(1) column of
the table provided in subsection (f) for the applicable recovery period
of the respective assets.

(b) If the amount of expense deduction calculated pursuant to
subsection (a) exceeds the taxpayer’s Kansas net income before
expensing or recapture allocated or apportioned to this state, such
excess amount shall be treated as a Kansas net operating loss as
provided in K.S.A. 79-32,143, and amendments thereto.
(c) If the property for which an expense deduction is taken
pursuant to subsection (a) is subsequently sold during the applicable
recovery period for such property as defined under section 168(c) of
the internal revenue code, as amended, and in a manner that would
cause recapture of any previously taken expense or depreciation
deductions for federal income tax purposes, or if the situs of such
property is otherwise changed such that the property is relocated
outside the state of Kansas during such applicable recovery period,
then the expense deduction determined pursuant to subsection (a)
shall be subject to recapture and treated as Kansas taxable income
allocated to this state. The amount of recapture shall be the Kansas
expense deduction determined pursuant to subsection (a) multiplied
by a fraction, the numerator of which is the number of years
remaining in the applicable recovery period for such property as
defined under section 168(c) or (g) of the internal revenue code, as
amended, after such property is sold or removed from the state
including the year of such disposition, and the denominator of which is
the total number of years in such applicable recovery period.
(d) The situs of tangible property for purposes of claiming and
recapture of the expense deduction shall be the physical location of
such property. If such property is mobile, the situs shall be the
physical location of the business operations from where such property
is used or based. The situs of computer software shall be apportioned
to Kansas based on the fraction, the numerator of which is the
number of the taxpayer’s users located in Kansas of licenses for such
computer software used in the active conduct of the taxpayer’s
business operations, and the denominator of which is the total number of the taxpayer’s users of the licenses for such computer software used in the active conduct of the taxpayer’s business operations everywhere.

(e) Any member of a unitary group filing a combined report may elect to take an expense deduction pursuant to subsection (a) for an investment in property made by any member of the combined group, provided that the amount calculated pursuant to subsection (a) may only be deducted from the Kansas net income before expensing or recapture allocated to or apportioned to this state by such member making the election.

(f) The following table shall be used in determining the expense deduction calculated pursuant to subsection (a):

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<th>Factors</th>
<th>IRC§168</th>
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</table>

(g) If a taxpayer elects to expense any investment pursuant to...

(h) This deduction shall not be available to any taxpayer making a modification under subsection (c)(xxi) of K.S.A. 79-32,117, and amendments thereto.

[Sec. 18. K.S.A. 2011 Supp. 79-32,266 is hereby amended to read as follows: 79-32,266. (a) For taxable years commencing after December 31, 2010, there shall be allowed as a credit against the tax liability of a resident individual taxpayer an amount equal to 95% of the resident individual's income tax liability under the provisions of the Kansas income tax act for Kansas source income received from a qualified company that is business income attributable to business activities conducted at the business facility, office, department or other operation relocated to Kansas when the taxpayer owns such qualified company and materially participates in such business activities conducted at such relocated business facility, office, department or other operation of such qualified company which qualified for benefits under the provisions of subsection (a)(1) of K.S.A. 74-50,212, and amendments thereto. A taxpayer shall be treated as materially participating in such qualified company's business activities conducted at such business facility, office, department or other operation relocated to Kansas only if the taxpayer is involved in such business activities of such qualified company on a basis which is regular, continuous and substantial. A taxpayer may claim the credit authorized by this section during any tax year in which the qualified company owned by the taxpayer qualifies for benefits under provisions of K.S.A. 74-50,212, and amendments thereto.

(b) Business income attributable to the business activities conducted at the business facility, office, department or other operation relocated to Kansas of a qualified company which qualified for benefits under the provisions of subsection (a)(1) of K.S.A. 74-50,212, and amendments thereto, shall be determined by multiplying the business income of the company apportioned to this state by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor, and the denominator of which is three. For purposes of this subsection, the property factor is a fraction, the numerator of which is the average value of the company's real and tangible personal property owned or rented and used during the tax
period at such relocated facility, office, department or other relocated
operation in Kansas, and the denominator of which is the average
value of the company's real and tangible personal property owned or
rented and used within this state during the tax period. The payroll
factor is a fraction, the numerator of which is the total amount paid
during the tax period by the company for compensation at such
relocated facility, office, department or other relocated operation in
Kansas, and the denominator of which is the total compensation paid
by the company in this state during the tax period. The sales factor is
a fraction, the numerator of which is the total sales of the relocated
facility, office, department or other relocated operation in this state
during the tax period, and the denominator of which is the total sales
of the company in this state during the tax period.

(c) This credit shall not be available to any taxpayer making a
modification under (c)(xxi) of K.S.A. 79-32,117, and amendments thereto.

(d) The secretary of revenue shall adopt rules and regulations
regarding the filing of documents that support the qualifications of the
taxpayer for the credit claimed pursuant to this section.

32,205, 79-32,210, {79-3606, 79-3606g, 79-32,211a,} 79-3620, 79-3635,
{and} 79-3710{79-32,266} and 79-4217 are hereby repealed.

Sec. 23 [20]. This act shall take effect and be in force from and after
its publication in the statute book.