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

New Section 1. (a) There is hereby created in the state treasury the job creation program fund. The secretary of commerce, in consultation with the secretary of revenue and the governor, shall administer the fund. All expenditures from the fund shall be for the purpose of promoting job creation and economic development by funding projects related to: (1) Major expansion of an existing Kansas commercial enterprise; (2) potential location in Kansas of the operations of major employer; (3) award of a significant federal or private sector grant which has a financial matching requirement; (4) potential departure from Kansas or the substantial reduction of the operations of a major Kansas employer; (5) training or retraining activities for employees in Kansas companies; (6) potential closure or substantial reduction of the operations of a major state or federal institution; (7) projects in counties with at least a 10% population decline during the period from 2000 to 2010; or (8) other unique economic development opportunities.

(b) All expenditures from the fund shall be for the purposes described in subsection (a) and shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary of commerce or the secretary's designee.

New Sec. 2. (a) For taxable years beginning after December 31, 2011, a taxpayer may elect to take an expense deduction from Kansas taxable income 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.
(b) If the amount of expense deduction calculated pursuant to
subsection (a) exceeds the taxpayer’s Kansas taxable income allocated or
apportioned to this state, such excess amount may be carried forward for
deduction in the succeeding taxable year or years until the total of such
amount is used.
(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 taxable income 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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New Sec. 3. Except as otherwise provided, for taxable years commencing after December 31, 2011, no credits may be earned through the Kansas enterprise zone act, K.S.A. 79-32,160a; or the job expansion and investment tax credit act, K.S.A. 79-32,153. Any carry forward credit that has been earned through the Kansas enterprise zone act, K.S.A. 79-32,160a, and is remaining after December 31, 2011, may be carried forward to succeeding taxable years as long as all requirements continue to be met. Any credit that has been earned through the job expansion and investment tax credit act, K.S.A. 79-32,153, with years left in recomputing the credit after December 31, 2011, may continue for the remainder of the nine-year period as long as all requirements continue to be met.

Sec. 4. K.S.A. 2010 Supp. 74-50,104 is hereby amended to read as follows: 74-50,104. (a) The secretary shall administer the provisions of this act and the IMPACT program established thereunder. The secretary shall encourage Kansas basic enterprises with similar training needs to cooperate in establishing SKILL projects. The secretary shall coordinate the SKILL program with other job training programs administered by the department of commerce. The secretary shall provide opportunities for coordination and cooperation of SKILL projects with other job training activities in Kansas. Subject to the limitation in K.S.A. 74-50,103, and amendments thereto, the secretary shall be authorized to make direct investments in educational and related workforce development institutions, for the purpose of promoting improvements in workforce development, human capital, training expertise, infrastructure and job retention.

(b) The secretary shall adopt rules and regulations as follows: (1) Prescribing review standards and priorities for approval of proposed
agreements under this act, including appropriate incentives for cooperation among projects, in order to maximize the number of new jobs created or retained with respect to individual Kansas basic enterprises, which will remain in Kansas; and (2) prescribing limits on program costs and on project and program size in relation to the number of new jobs created and wages of new or retained jobs. No agreement shall be approved which provides for program costs of a project under the agreement of more than 95% of the amount equal to the estimated rate of withholding tax applied to the estimated amount of gross wages of all the new or retained jobs under the project over a ten-year period, except that this provision shall not apply to any project funded from the job creation program fund.

(c) Notice of the approval of a project or program and an annual report of the number of jobs created or retained under the IMPACT act shall be provided to the chairpersons of the senate committee on commerce and the committee on economic development of the house of representatives.

(d) The secretary may adopt such other rules and regulations as may be required for the implementation and administration of this act.

Sec. 5. K.S.A. 2010 Supp. 74-50,106 is hereby amended to read as follows: 74-50,106. (a) The secretary of commerce shall review applications for proposed agreements submitted by employers in accordance with the standards and guidelines prescribed by this act and by rules and regulations adopted under K.S.A. 74-50,104, and amendments thereto. Each application for approval of a proposed agreement shall be accompanied by information about the number and wages of the new or retained jobs created by the employer, documentation of existing training activities of the employer and such other information as may be required by the secretary of commerce.

(b) The secretary of commerce may pool the funding requirements of projects which are the subject of proposed agreements to determine the funding requirements of the IMPACT projects under consideration to facilitate the issuance of bonds by the Kansas development finance authority.

(c) The secretary of commerce is hereby authorized to expend funds raised pursuant to this act on major project investments. The secretary shall adopt guidelines consistent with this act concerning firm eligibility for major project investments and shall otherwise administer the major project investment portion of the IMPACT act.

(d) In order for an employer to be eligible for a major project investment, the employer must:

(1) Annually make an investment in training and education of the employer's employees that exceeds 2% of the employer's total annual
payroll costs; or

(2) agree that a portion of any funds available under the agreement
be spent directly on employee education and training.

(e) An employer not creating new jobs shall be eligible to participate
in the IMPACT program if the employer meets the following criteria: (1)
Maintains a minimum of 250 retained jobs if located in a metropolitan
statistical area or a minimum of 100 retained jobs if located in a
nonmetropolitan statistical area; and (2) the secretary of commerce finds
that the program or project will be a major factor in the Kansas basic
enterprise remaining in Kansas, except that this subsection shall not
apply to any project funded from the job creation program fund.

Sec. 6. K.S.A. 2010 Supp. 74-50,107 is hereby amended to read as
follows: 74-50,107. (a) The secretary shall determine and from time to
time shall redetermine the rate at which moneys shall be credited to the
IMPACT program repayment fund in order to satisfy all bond repayment
obligations which have been incurred to finance program costs for
IMPACT programs, which shall be referred to as the debt service rate,
and the rate at which moneys shall be credited to the IMPACT program
services fund in order to finance program costs that are not financed by
bonds, which shall be referred to as the direct funding rate. The total of
the debt service rate and the direct funding rate shall be the combined
rate. Each rate so determined shall be certified to the secretary of revenue.
The combined rate determined under this subsection shall not exceed 2%.

(b) Upon receipt of the rates determined and certified under
subsection (a), the secretary of revenue shall apply daily the combined
rate to that portion of the moneys withheld from the wages of individuals
and collected under the Kansas withholding and declaration of estimated
tax act K.S.A. 79-3294 et seq., and amendments thereto. The amount so
determined shall be credited as follows: (1) The portion attributable to the
debt service rate shall be credited to the IMPACT program repayment
fund, and (2) the remaining portion shall be credited to the IMPACT
program services fund.

The aggregate of all amounts credited to the IMPACT program
repayment fund under this section during any fiscal year to pay bond
repayment obligations on bonds to finance major project investments
shall not exceed the amount which results when the rate of 2% is applied
to all money withheld from the wages of individuals and received under
the Kansas withholding and declaration of estimated tax act. (a)
Commencing July 1, 2011, the secretary of revenue shall apply a rate of 2% to that portion of moneys withheld from the wages of individuals and collected under the Kansas withholding and declaration of estimated tax act, K.S.A. 79-3294 et seq., and amendments thereto. The amount so determined shall be credited as follows: (1) An amount necessary to meet obligations of the debt services for the IMPACT program repayment fund; and (2) an amount to the IMPACT program services fund as needed for program administration; and (3) any remaining amounts to the job creation program fund created pursuant to section 1, and amendments thereto.

(b) Commencing July 1, 2011, and on an annual basis thereafter, the secretary of revenue shall determine the amount equal to the amount of savings realized from the elimination, modification or limitation of subsection (g) of section 2, section 3, section 4, K.S.A. 79-32,206 and subsection (cc) of K.S.A. 79-3606, and amendments thereto. Whereupon such amount of savings in accordance with appropriation acts 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 to the credit of the job creation program fund created pursuant to section 1, and amendments thereto. In addition, such other amount or amounts of many may be transferred from the state general fund or any other fund or
funds in the state treasury to the job creation program fund in accordance with appropriation acts.

Sec. 7. K.S.A. 2010 Supp. 74-50,109 is hereby amended to read as follows: 74-50,109. (a) There is hereby created in the state treasury the IMPACT program repayment fund. The secretary of commerce shall administer the IMPACT program repayment fund. Except as provided in subsection (c), all moneys credited to the IMPACT program repayment fund shall be to make payments to the Kansas development finance authority for payment of costs relating to the retirement of bonds issued to finance projects approved by the secretary of commerce under this act, including but not limited to the principal of and interest on such bonds and the expenses of issuance. All expenditures from the IMPACT program repayment fund shall be made in accordance with appropriations acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary of commerce or the secretary's designee.

(b) Upon request of the secretary of commerce, the director of accounts and reports shall establish one or more reserve accounts in the IMPACT program repayment fund to secure one or more issues of bonds issued by the Kansas development finance authority for the purposes of this act.

(c) On June 30 of each year, any unencumbered balance in the IMPACT program repayment fund which is not required for payment of such expenses during the ensuing fiscal year, including any such expenses associated with proposed investment agreements and bond issues under consideration for such fiscal year, and which is not credited to any reserve account in the fund, as certified by the secretary of commerce to the director of accounts and reports, shall be transferred by the director of accounts and reports from the IMPACT program repayment fund to the IMPACT program services fund or the job creation program fund.

Sec. 8. K.S.A. 2010 Supp. 74-50,110 is hereby amended to read as follows: 74-50,110. Except as otherwise provided, the activities of the secretary of commerce in administering and performing the powers, duties and functions prescribed by the provisions of this act and providing moneys for IMPACT programs from the proceeds of bonds issued by the Kansas development finance authority are hereby approved for the purposes of subsection (b) of K.S.A. 74-8905, and amendments thereto, and the authorization of the issuance of such bonds by the Kansas development finance authority in accordance with that statute. The provisions of subsection (a) of K.S.A. 74-8905, and amendments thereto,
shall not prohibit the issuance of bonds for such purposes when so
authorized and any such issuance of bonds is exempt from the provisions
of subsection (a) of K.S.A. 74-8905, and amendments thereto. No bonds
shall be issued for IMPACT projects after December 31, 2011.

Sec. 9. K.S.A. 2010 Supp. 74-50,111 is hereby amended to read as
follows: 74-50,111. The secretary of commerce shall annually report on
activities under the IMPACT act, pursuant to K.S.A. 74-5049, and
amendments thereto. Each report shall contain information regarding the
number and characteristics of the new jobs created or jobs retained in
Kansas for which SKILL projects or major project investments have been
financed under this act, including a report on any such new or retained
jobs which do not continue to exist and the circumstances and effect of
any such discontinuances, and activities of the department related to
administration of the job creation program fund and the funding of
projects thereunder.

Sec. 10. K.S.A. 2010 Supp. 74-50,132 is hereby amended to
read as follows: 74-50,132. (a) For taxable years commencing after
December 31, 1997, and before January 1, 2017, a qualified firm shall be
entitled to a credit against the tax imposed by the Kansas income tax act,
the premium tax or privilege fee imposed pursuant to K.S.A. 40-252, and
amendments thereto, or the privilege tax as measured by net income of
financial institutions imposed pursuant to chapter 79, article 11 of the
Kansas Statutes Annotated, and amendments thereto, in an amount equal
to the portion of the qualified business facility cash investment in the
training and education of the firm's employees that exceeds 2% of the
firm's total payroll costs. The maximum amount of the credit that may be
claimed by a single corporate taxpayer in any single tax year under this
section shall not exceed $50,000. Tax credits earned by a qualified
business under this section must be claimed in their entirety in the tax
(b) For tax years commencing after December 31, 2005, any taxpayer claiming credits pursuant to this section, as a condition for claiming and qualifying for such credits, shall provide information pursuant to K.S.A. 2010 Supp. 79-32,243, and amendments thereto, as part of the tax return in which such credits are claimed. Such credits shall not be denied solely on the basis of the contents of the information provided by the taxpayer pursuant to K.S.A. 2010 Supp. 79-32,243, and amendments thereto.

Sec. 11. K.S.A. 2010 Supp. 79-32,160a is hereby amended to read as follows: 79-32,160a. (a) For taxable years commencing after December 31, 1999, and before January 1, 2012, any taxpayer who shall invest in a qualified business facility, as defined in subsection (b) of K.S.A. 79-32,154, and amendments thereto, and effective for tax years commencing after December 31, 2010, and before January 1, 2012, located in an area other than a metropolitan county as defined in either K.S.A. 2010 Supp. 74-50,114 or 74-50,211, and amendments thereto, and also meets the definition of a business in subsection (b) of K.S.A. 74-50,114, and amendments thereto, shall be allowed a credit for such investment, in an amount determined under subsection (b) or (c), as the case requires, against the tax imposed by the Kansas income tax act or where the qualified business facility is the principal place from which the trade or business of the taxpayer is directed or managed and the facility has facilitated the creation of at least 20 new full-time positions, against the premium tax or privilege fees imposed pursuant to K.S.A. 40-252, and amendments thereto, or as measured by the net income of financial institutions imposed pursuant to chapter 79, article 11 of the Kansas Statutes Annotated, for the taxable year during which commencement of commercial operations, as defined in subsection (f) of K.S.A. 79-32,154, and amendments thereto, occurs at such qualified business facility. In the case of a taxpayer who meets the definition of a manufacturing business in subsection (d) of K.S.A. 74-50,114, and amendments thereto, no credit shall be allowed under this section unless the number of qualified business facility employees, as determined under subsection (d) of K.S.A. 79-32,154, and amendments thereto, engaged or maintained in employment at the qualified business facility as a direct result of the investment by the taxpayer for the taxable year for which the credit is claimed equals or exceeds two. In the case of a taxpayer who meets the definition of a nonmanufacturing business in subsection (f) of K.S.A. 74-50,114, and amendments thereto, no credit shall be allowed under this section unless the number of qualified business facility employees, as determined under subsection (d) of K.S.A. 79-32,154, and amendments thereto, equals or exceeds two.
thereto, engaged or maintained in employment at the qualified business facility as a direct result of the investment by the taxpayer for the taxable year for which the credit is claimed equals or exceeds five. Where an employee performs services for the taxpayer outside the qualified business facility, the employee shall be considered engaged or maintained in employment at the qualified business facility if: (1) The employee's service performed outside the qualified business facility is incidental to the employee's service inside the qualified business facility; or (2) the base of operations or, the place from which the service is directed or controlled, is at the qualified business facility.

(b) The credit allowed by subsection (a) for any taxpayer who invests in a qualified business facility which is located in a designated nonmetropolitan region established under K.S.A. 74-50,116, and amendments thereto, on or after the effective date of this act, shall be a portion of the income tax imposed by the Kansas income tax act on the taxpayer's Kansas taxable income, the premium tax or privilege fees imposed pursuant to K.S.A. 40-252, and amendments thereto, or the privilege tax as measured by the net income of financial institutions imposed pursuant to chapter 79, article 11 of the Kansas Statutes Annotated, and amendments thereto, for the taxable year for which such credit is allowed, but in the case where the qualified business facility investment was made prior to January 1, 1996, not in excess of 50% of such tax. Such portion shall be an amount equal to the sum of the following:

(1) Two thousand five hundred dollars for each qualified business facility employee determined under K.S.A. 79-32,154, and amendments thereto; plus

(2) one thousand dollars for each $100,000, or major fraction thereof, which shall be deemed to be 51% or more, in qualified business facility investment, as determined under K.S.A. 79-32,154, and amendments thereto.

(c) The credit allowed by subsection (a) for any taxpayer who invests in a qualified business facility, which is not located in a nonmetropolitan region established under K.S.A. 74-50,116, and amendments thereto, and effective for tax years commencing after December 31, 2010, and before January 1, 2012, located in an area other than a metropolitan county as defined in either K.S.A. 2010 Supp. 74-50,114 or 74-50,211, and amendments thereto, and which also meets the definition of business in subsection (b) of K.S.A. 74-50,114, and amendments thereto, on or after the effective date of this act, shall be a portion of the income tax imposed by the Kansas income tax act on the taxpayer's Kansas taxable income, the premium tax or privilege fees imposed pursuant to K.S.A. 40-252, and amendments thereto, or the
privilege tax as measured by the net income of financial institutions
imposed pursuant to chapter 79, article 11 of the Kansas Statutes
Annotated, and amendments thereto, for the taxable year for which such
credit is allowed, but in the case where the qualified business facility
investment was made prior to January 1, 1996, not in excess of 50% of
such tax. Such portion shall be an amount equal to the sum of the
following:

(1) One thousand five hundred dollars for each qualified business
facility employee as determined under K.S.A. 79-32,154, and
amendments thereto; and
(2) one thousand dollars for each $100,000, or major fraction
thereof, which shall be deemed to be 51% or more, in qualified business
facility investment as determined under K.S.A. 79-32,154, and
amendments thereto.

(d) The credit allowed by subsection (a) for each qualified business
facility employee and for qualified business facility investment shall be a
one-time credit. If the amount of the credit allowed under subsection (a)
exceeds the tax imposed by the Kansas income tax act on the taxpayer's
Kansas taxable income, the premium tax and privilege fees imposed
pursuant to K.S.A. 40-252, and amendments thereto, or the privilege tax
as measured by the net income of financial institutions imposed pursuant
to chapter 79, article 11 of the Kansas Statutes Annotated, and
amendments thereto, for the taxable year, or in the case where the
qualified business facility investment was made prior to January 1, 1996,
50% of such tax imposed upon the amount which exceeds such tax
liability or such portion thereof may be carried over for credit in the same
manner in the succeeding taxable years until the total amount of such
credit is used. Except that, before the credit is allowed, a taxpayer, who
meets the definition of a manufacturing business in subsection (d) of
K.S.A. 74-50,114, and amendments thereto, shall recertify annually that
the net increase of a minimum of two qualified business facility
employees has continued to be maintained and a taxpayer, who meets the
definition of a nonmanufacturing business in subsection (f) of K.S.A. 74-
50,114, and amendments thereto, shall recertify annually that the net
increase of a minimum of five qualified business employees has
continued to be maintained.

(e) Notwithstanding the foregoing provisions of this section, and
except as otherwise provided in this subsection, for any tax year
commencing before January 1, 2017, any taxpayer qualified and certified
under the provisions of K.S.A. 74-50,131, and amendments thereto;
which, prior to making a commitment to invest in a qualified Kansas
business, has filed a certificate of intent to invest in a qualified business
facility in a form satisfactory to the secretary of commerce; and that has
received written approval from the secretary of commerce for
participation and has participated, during the tax year for which the
exemption is claimed, in the Kansas industrial training, Kansas industrial
retraining or the state of Kansas investments in lifelong learning program
or is eligible for the tax credit established in K.S.A. 74-50,132, and
amendments thereto, shall be entitled to a credit in an amount equal to
10% of that portion of the qualified business facility investment which
exceeds $50,000 in lieu of the credit provided in subsection (b)(2) or (c)
(2) without regard to the number of qualified business facility employees
engaged or maintained in employment at the qualified business facility.
For tax years beginning on or after January 1, 2012, and before January
1, 2017, such credit shall be in an amount equal to 10% of that portion of
the qualified business facility investment which exceeds $5,000,000. Any
taxpayer who has filed an application to be certified under K.S.A. 74-
50,131, and amendments thereto, is qualified and certified under such
provision and has commenced work on the project prior to December 31,
2011, may claim credits under K.S.A. 74-50,131, 74-50,132 and
subsection (e) of 79-32,160a, and amendments thereto, in an amount
equal to 10% of that portion of the qualified business facility investment
which exceeds $50,000. Timing modifications may be authorized at the
discretion of the secretary of commerce and the secretary of revenue
during the transition period. The credit allowed by this subsection shall
be a one-time credit. If the amount thereof exceeds the tax imposed by the
Kansas income tax act on the taxpayer's Kansas taxable income or the
premium tax or privilege fees imposed pursuant to K.S.A. 40-252, and
amendments thereto, or the privilege tax as measured by net income of
financial institutions imposed pursuant to chapter 79, article 11 of the
Kansas Statutes Annotated, and amendments thereto, for the taxable year,
the amount thereof which exceeds such tax liability may be carried
forward for credit in the succeeding taxable year or years until the total
amount of the tax credit is used, except that no such tax credit shall be
carried forward for deduction after the 10th taxable year succeeding the
taxable year in which such credit initially was claimed and no carry
forward shall be allowed for deduction in any succeeding taxable year
unless the taxpayer continued to be qualified and was recertified for such
succeeding taxable year pursuant to K.S.A. 74-50,131, and amendments
thereto.
(f) For tax years commencing after December 31, 2005, any
taxpayer claiming credits pursuant to this section, as a condition for
claiming and qualifying for such credits, shall provide information
pursuant to K.S.A. 2010 Supp. 79-32,243, and amendments thereto, as
part of the tax return in which such credits are claimed. Such credits shall
not be denied solely on the basis of the contents of the information
provided by the taxpayer pursuant to K.S.A. 2010 Supp. 79-32,243, and amendments thereto.

(g) This section and K.S.A. 79-32,160b, and amendments thereto, shall be part of and supplemental to the job expansion and investment credit act of 1976 and acts amendatory thereof and supplemental amendments thereto.

Sec. 12. K.S.A. 2010 Supp. 79-32,206 is hereby amended to read as follows: 79-32,206. For all taxable years commencing after December 31, 2001, and before January 1, 2012, there shall be allowed as a credit against the tax liability of a taxpayer imposed under 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 as measured by net income of financial institutions imposed pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, an amount equal to 15% of the property tax levied for property tax years 2002, 2003 and 2004, 20% of the property tax levied for property tax years 2005 and 2006, and 25% of the property tax levied for property tax year 2007, and all such years thereafter, actually and timely paid during an income or privilege taxable year upon commercial and industrial machinery and equipment classified for property taxation purposes pursuant to section 1 of article 11 of the Kansas constitution in subclass (5) or (6) of class 2, machinery and equipment classified for such purposes in subclass (2) of class 2. For all taxable years commencing after December 31, 2004, and before January 1, 2012, there shall be allowed as a credit against the tax liability of a taxpayer imposed under the Kansas income tax act an amount equal to 20% of the property tax levied for property tax years 2005 and 2006, and 25% of the property tax levied for property tax year 2007 and all such years thereafter, actually and timely paid during an income taxable year upon railroad machinery and equipment classified for property tax purposes pursuant to section 1 of article 11 of the Kansas constitution in subclass (3) of class 2. If the amount of such tax credit exceeds the taxpayer's income tax liability for the taxable year, the amount thereof which exceeds such tax liability shall be refunded to the taxpayer. If the taxpayer 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 the income or loss of the corporation, partnership or limited liability company. The secretary of revenue shall adopt rules and regulations regarding the filing of documents that support the amount of credit
Sec. 13. K.S.A. 2010 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-aid. Gifts shall not mean funds used for the purpose of constructing, equipping, reconstructing, repairing, enlarging, furnishing or remodeling facilities for 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
deefined 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. 2010 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, and before January 1, 2017, 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(c), 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
withstanding 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;
(lll) 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
(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 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;

(ff) 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, grain storage, grain refining or processing, or other grain
treatment operation;

(gg) 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;

(hh) 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,
tended 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;
(l) 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 therefor, 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, 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;

(1) 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 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 thereof, 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 for
any such organization. When any such organization shall contract 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

(ffff) 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.


Sec. 16. This act shall take effect and be in force from and after its publication in the statute book.