

SENATE Substitute for HOUSE BILL No. 2208

By Committee on Commerce

3-26

AN ACT concerning tax increment financing and sales tax revenue bonds; relating to redevelopment of certain property located throughout the state; amending K.S.A. 12-1770a, 12-1774 and 74-8017 and K.S.A. 2002 Supp. 79-3620 and 79-3710 and repealing the existing sections.

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

Section 1. K.S.A. 12-1770a is hereby amended to read as follows: 12-1770a. As used in this act, unless the context clearly shows otherwise:

(a) "Auto race track facility" means: (1) An auto race track facility and facilities directly related and necessary to the operation of an auto race track facility, including, but not limited to, grandstands, suites and viewing areas, concessions, souvenir facilities, catering facilities, visitor and retail centers, signage and temporary hospitality facilities, but excluding (2) hotels, motels, restaurants and retail facilities, not directly related to or necessary to the operation of such facility.

(b) "Base year assessed valuation" means the assessed valuation of all real property within the boundaries of a redevelopment district on the date the redevelopment district was established.

(c) "Blighted area" means an area which:

(1) Because of the presence of a majority of the following factors, substantially impairs or arrests the development and growth of the municipality or constitutes an economic or social liability or is a menace to the public health, safety, morals or welfare in its present condition and use:

- (A) A substantial number of deteriorated or deteriorating structures;
- (B) predominance of defective or inadequate street layout;
- (C) unsanitary or unsafe conditions;
- (D) deterioration of site improvements;
- (E) tax or special assessment delinquency exceeding the fair market value of the real property;
- (F) defective or unusual conditions of title including but not limited to cloudy or defective titles, multiple or unknown ownership interests to the property;
- (G) improper subdivision or obsolete platting or land uses;

1 (H) the existence of conditions which endanger life or property by
2 fire or other causes; or

3 (I) conditions which create economic obsolescence; or

4 (2) has been identified by any state or federal environmental agency
5 as being environmentally contaminated to an extent that requires a re-
6 medial investigation; feasibility study and remediation or other similar
7 state or federal action; or

8 (3) previously was found by resolution of the governing body to be a
9 slum or a blighted area under K.S.A. 17-4742 *et seq.*, and amendments
10 thereto.

11 (d) "Conservation area" means any improved area comprising 15%
12 or less of the land area within the corporate limits of a city in which 50%
13 or more of the structures in the area have an age of 35 years or more,
14 which area is not yet blighted, but may become a blighted area due to
15 the existence of a combination of two or more of the following factors:

16 (1) Dilapidation, obsolescence or deterioration of the structures;

17 (2) illegal use of individual structures;

18 (3) the presence of structures below minimum code standards;

19 (4) building abandonment;

20 (5) excessive vacancies;

21 (6) overcrowding of structures and community facilities; or

22 (7) inadequate utilities and infrastructure.

23 (e) "De minimus" means an amount less than 15% of the land area
24 within a redevelopment district.

25 (f) "Developer" means any person, firm, corporation, partnership or
26 limited liability company, other than a city.

27 (g) "Eligible area" means a blighted area, conservation area, enter-
28 prise zone, historic theater ~~or~~, major tourism area *or a major commercial*
29 *entertainment and tourism area as determined by the secretary, but "el-*
30 *igible area" shall not include a gambling casino.*

31 (h) "Enterprise zone" means an area within a city that was designated
32 as an enterprise zone prior to July 1, 1992, pursuant to K.S.A. 12-17,107
33 through 12-17,113, and amendments thereto, prior to its repeal and the
34 conservation, development or redevelopment of the area is necessary to
35 promote the general and economic welfare of such city.

36 (i) "Environmental increment" means the increment determined
37 pursuant to subsection (b) of K.S.A. 12-1771a, and amendments thereto.

38 (j) "Environmentally contaminated area" means an area of land hav-
39 ing contaminated groundwater or soil which is deemed environmentally
40 contaminated by the department of health and environment or the United
41 States environmental protection agency.

42 (k) "Feasibility study" means a study which shows whether a rede-
43 velopment *or special bond* project's benefits and tax increment revenue

1 and other available revenues under K.S.A. 12-1774 (a)(1), *and amend-*
2 *ments thereto*, are expected to exceed or be sufficient to pay for the
3 redevelopment *or special bond* project costs.

4 (l) “Historic theater” means a building constructed prior to 1940
5 which was constructed for the purpose of staging entertainment, includ-
6 ing motion pictures, vaudeville shows or operas, that is operated by a
7 nonprofit corporation and is designated by the state historic preservation
8 officer as eligible to be on the Kansas register of historic places or is a
9 member of the Kansas historic theatre association.

10 (m) “Historic theater sales tax increment” means the amount of state
11 and local sales tax revenue imposed pursuant to K.S.A. 12-187 *et seq.*, 79-
12 3601 *et seq.* and 79-3701 *et seq.*, and amendments thereto, collected from
13 taxpayers doing business within the historic theater that is in excess of
14 the amount of such taxes collected prior to the designation of the building
15 as a historic theater for purposes of this act.

16 (n) “Major tourism area” means an area for which the secretary has
17 made a finding the capital improvements costing not less than
18 \$100,000,000 will be built in the state to construct an auto race track
19 facility.

20 (o) “Real property taxes” means all taxes levied on an ad valorem basis
21 upon land and improvements thereon.

22 (p) “Redevelopment project area” or “project area” means an area
23 designated by a city within a redevelopment district.

24 (q) “Redevelopment project costs” means those costs necessary to
25 implement a redevelopment plan, including, but not limited to costs in-
26 curred for:

- 27 (1) Acquisition of property within the redevelopment project area;
- 28 (2) payment of relocation assistance;
- 29 (3) site preparation including utility relocations;
- 30 (4) sanitary and storm sewers and lift stations;
- 31 (5) drainage conduits, channels ~~and~~, levees *and river walk canal*
32 *facilities*;
- 33 (6) street grading, paving, graveling, macadamizing, curbing, gutter-
34 ing and surfacing;
- 35 (7) street light fixtures, connection and facilities;
- 36 (8) underground gas, water, heating and electrical services and con-
37 nections located within the public right-of-way;
- 38 (9) sidewalks and pedestrian underpasses or overpasses;
- 39 (10) drives and driveway approaches located within the public right-
40 of-way;
- 41 (11) water mains and extensions;
- 42 (12) plazas and arcades;
- 43 (13) parking facilities;

1 (14) landscaping and plantings, fountains, shelters, benches, sculp-
2 tures, lighting, decorations and similar amenities; and

3 (15) all related expenses to redevelop and finance the redevelopment
4 project.

5 Redevelopment project costs shall not include costs incurred in con-
6 nection with the construction of buildings or other structures to be owned
7 by or leased to a developer, however, the “redevelopment project costs”
8 shall include costs incurred in connection with the construction of build-
9 ings or other structures to be owned or leased to a developer which in-
10 cludes an auto race track facility or is in a redevelopment district including
11 some or all of the land and buildings comprising a state mental institution
12 closed pursuant to section 2 of chapter 219 of the 1995 Session Laws of
13 Kansas.

14 (r) “Redevelopment district” means the specific area declared to be
15 an eligible area in which the city may develop one or more redevelopment
16 projects.

17 (s) “Redevelopment district plan” or “district plan” means the pre-
18 liminary plan that identifies all of the proposed redevelopment project
19 areas and identifies in a general manner all of the buildings, facilities and
20 improvements in each that are proposed to be constructed or improved
21 in each redevelopment project area.

22 (t) “Redevelopment project” means the approved project to imple-
23 ment a project plan for the development of the established redevelop-
24 ment district.

25 (u) “Redevelopment project plan” or “project plan” means the plan
26 adopted by a municipality for the development of a redevelopment pro-
27 ject or projects which conforms with K.S.A. 12-1772, and amendments
28 thereto, in a redevelopment district.

29 (v) “Secretary” means the secretary of commerce and housing.

30 (w) “Substantial change” means, as applicable, a change wherein the
31 proposed plan or plans differ substantially from the intended purpose for
32 which the district plan or project plan was approved.

33 (x) “Tax increment” means that amount of real property taxes col-
34 lected from real property located within the redevelopment district that
35 is in excess of the amount of real property taxes which is collected from
36 the base year assessed valuation.

37 (y) “Taxing subdivision” means the county, city, unified school district
38 and any other taxing subdivision levying real property taxes, the territory
39 or jurisdiction of which includes any currently existing or subsequently
40 created redevelopment district.

41 (z) “*Special bond project*” means a project with at least a \$50,000,000
42 capital investment and \$50,000,000 in projected gross annual sales reve-
43 nues or for areas outside of metropolitan statistical areas, as defined by

1 *the federal office of management and budget as of June 30, 1999, the*
2 *secretary finds the project meets the requirements of subsection (g) and*
3 *would be of regional or statewide importance, but a “special bond project”*
4 *shall not include a project for a gambling casino.*

5 (aa) *“Marketing study” means a study conducted to examine the im-*
6 *act of the redevelopment or special bond project upon similar businesses*
7 *in the projected market area.*

8 (bb) *“Projected market area” means any area within the state in*
9 *which the redevelopment or special bond project is projected to have a*
10 *substantial fiscal or market impact upon businesses in such area.*

11 (cc) *“River walk canal facilities” means a canal and related water*
12 *features located adjacent to a river which flows through a major com-*
13 *mmercial entertainment and tourism area and facilities related or contig-*
14 *uous thereto, including, but not limited to pedestrian walkways and prom-*
15 *enades, landscaping and parking facilities.*

16 New Sec. 2. (a) The governing body of a city may establish one or
17 more special bond projects in any area within such city. The special bond
18 projects shall be eligible for financing by special obligation bonds payable
19 from revenues described by subsection (a)(1)(D) of K.S.A. 12-1774, and
20 amendments thereto. Each special bond project shall first be approved
21 by the secretary. The secretary may approve a special bond project located
22 in a redevelopment district established by a city prior to the effective date
23 of this act. A special bond project shall not be granted to any business
24 that proposes to relocate its business from another area of the state into
25 such city, for the purpose of consideration for a special bond project and
26 shall not receive any of the benefits provided by K.S.A. 12-1770 *et seq.*,
27 and amendments thereto. A special bond project shall not be approved
28 by the secretary if the marketing study required by section 3, and amend-
29 ments thereto, indicates a substantial negative impact upon businesses in
30 the project market area.

31 (b) The maximum maturity of special obligation bonds payable pri-
32 marily from revenues described by subsection (a)(1)(D) of K.S.A. 12-
33 1744, and amendments thereto, to finance special bond projects pursuant
34 to this section shall not exceed 20 years.

35 New Sec. 3. (a) Any city proposing to undertake a special bond pro-
36 ject established pursuant to section 2, and amendments thereto, shall
37 prepare a project plan in consultation with the planning commission of
38 the city. The project plan shall include:

39 (1) A summary of the feasibility study done as defined in K.S.A. 12-
40 1770a, and amendments thereto, which will be an open record;

41 (2) a summary of the marketing study done as defined in K.S.A. 12-
42 1770a, and amendments thereto, which will be an open record;

43 (3) a reference to the district plan established under K.S.A. 12-1771,

1 and amendments thereto, that identifies the project area that is set forth
2 in the project plan that is being considered;

3 (4) a description and map of the location of the facility that is the
4 subject of the special bond project;

5 (5) the relocation assistance plan required by K.S.A. 12-1777, and
6 amendments thereto;

7 (6) a detailed description of the buildings and facilities proposed to
8 be constructed or improved; and

9 (7) any other information the governing body deems necessary to
10 advise the public of the intent of the special bond project plan.

11 (b) *Resolution requirements.* A copy of the project plan shall be de-
12 livered to the board of county commissioners of the county and the board
13 of education of any school district levying taxes on property subject to the
14 special bond project. Upon a finding by the planning commission of the
15 city that the project plan is consistent with the intent of the comprehen-
16 sive plan for the development of the city, the governing body of the city
17 shall adopt a resolution stating that the city is considering the adoption
18 of the project plan. Such resolution shall:

19 (1) Give notice that a public hearing will be held to consider the
20 adoption of the project plan and fix the date, hour and place of such
21 public hearing;

22 (2) describe the boundaries of the area subject to the special bond
23 project; and

24 (3) state that the project plan, including a summary of the feasibility
25 study, relocation assistance plan and financial guarantees of the prospec-
26 tive developer and a description and map of the area to be developed are
27 available for inspection during regular office hours in the office of the
28 city clerk.

29 (c) (1) *Hearing.* The date fixed for the public hearing shall be not
30 less than 30 nor more than 70 days following the date of the adoption of
31 the resolution fixing the date of the hearing.

32 (2) A copy of the resolution providing for the public hearing shall be
33 by certified mail, return receipt requested sent to the board of county
34 commissioners of the county and the board of education of any school
35 district levying taxes on property subject to the special bond project. The
36 resolution shall be published once in the official city newspaper not less
37 than one week nor more than two weeks preceding the date fixed for the
38 public hearing. A description in sufficient detail to advise the reader of
39 the particular proposed special bond project shall be published with the
40 resolution.

41 (3) At the public hearing, a representative of the city shall present
42 the city's proposed project plan. Following the presentation of the project
43 plan, all interested persons shall be given an opportunity to be heard. The

1 governing body for good cause shown may recess such hearing to a time
2 and date certain, which shall be fixed in the presence of persons in at-
3 tending at the hearing.

4 (d) The public hearing records and feasibility study shall be subject
5 to the open records act, K.S.A. 45-215, and amendments thereto.

6 (e) *Posthearing procedure.* Following the public hearing, the govern-
7 ing body may adopt the project plan by ordinance passed upon a $\frac{2}{3}$ vote.

8 (f) Any substantial changes as defined in K.S.A. 12-1770a, and
9 amendments thereto, to the project plan as adopted shall be subject to a
10 public hearing following publication of notice thereof at least twice in the
11 official city newspaper.

12 (g) Any project shall be completed within 20 years from the date of
13 the approval of the project plan.

14 Sec. 4. K.S.A. 12-1774 is hereby amended to read as follows: 12-
15 1774. (a) (1) Any city shall have the power to issue special obligation bonds
16 in one or more series to finance the undertaking of any redevelopment
17 project in accordance with the provisions of this act. Such special obli-
18 gation bonds shall be made payable, both as to principal and interest:

19 (A) From tax increments allocated to, and paid into a special fund of
20 the city under the provisions of K.S.A. 12-1775, and amendments thereto;

21 (B) from revenues of the city derived from or held in connection with
22 the undertaking and carrying out of any redevelopment project or projects
23 under this act including historic theater sales tax increments and envi-
24 ronmental increments;

25 (C) from any private sources, contributions or other financial assis-
26 tance from the state or federal government;

27 (D) from a pledge of a portion or all of the revenue received by the
28 city from transient guest, sales and use taxes collected pursuant to K.S.A.
29 12-1696 *et seq.*, 79-3601 *et seq.*, 79-3701 *et seq.* and 12-187 *et seq.*, and
30 amendments thereto, and which are collected from taxpayers doing busi-
31 ness within that portion of the city's redevelopment district established
32 pursuant to K.S.A. 12-1771, and amendments thereto, occupied by a re-
33 development project if there first is a finding by the secretary of com-
34 merce and housing that the redevelopment project will create a major
35 tourism area for the state or if the project is the restoration of a historic
36 theater as defined in subsection (l) of K.S.A. 12-1770a, and amendments
37 thereto, *or the project has been designated as a special bond project as*
38 *defined in subsection (z) of K.S.A. 12-1770a, and amendments thereto;*

39 (E) (i) from a pledge of a portion or all increased revenue received
40 by the city from franchise fees collected from utilities and other busi-
41 nesses using public right-of-way within the redevelopment district; (ii)
42 from a pledge of a portion or all of the revenue received by the city from
43 sales taxes collected pursuant to K.S.A. 12-187, and amendments thereto;

1 or

2 (F) by any combination of these methods *except that for a project*
3 *which has been designated as a special bond project as defined in subsec-*
4 *tion (z) of K.S.A. 12-1770a and amendments thereto, if a portion or all of*
5 *the sales taxes collected under K.S.A. 79-3601 et seq., and amendments*
6 *thereto, is pledged for such project then a portion or all of the sales taxes*
7 *collected under K.S.A. 12-187 and amendments thereto shall be pledged*
8 *for such project. The ratio of state tax revenue to local tax revenue dedi-*
9 *cated to the repayment of special obligation bonds issued for such project*
10 *shall not exceed 3:1.*

11 The city may pledge such revenue to the repayment of such special
12 obligation bonds prior to, simultaneously with, or subsequent to the is-
13 suance of such special obligation bonds.

14 (2) *An entity financed as a special bond project as defined in K.S.A.*
15 *12-1770a, and amendments thereto, shall be deemed a retailer doing busi-*
16 *ness in this state and considered to have established sufficient nexus with*
17 *the state for sales and compensating use tax purposes, whether the trans-*
18 *action was processed electronically, by fax, telephone, the internet or other*
19 *electronic ordering process.*

20 ~~(2)~~ (3) Bonds issued under paragraph (1) of subsection (a) shall not
21 be general obligations of the city, nor in any event shall they give rise to
22 a charge against its general credit or taxing powers, or be payable out of
23 any funds or properties other than any of those set forth in paragraph (1)
24 of this subsection and such bonds shall so state on their face.

25 ~~(3)~~ (4) Bonds issued under the provisions of paragraph (1) of this
26 subsection shall be special obligations of the city and are declared to be
27 negotiable instruments. They shall be executed by the mayor and clerk
28 of the city and sealed with the corporate seal of the city. All details per-
29 taining to the issuance of such special obligation bonds and terms and
30 conditions thereof shall be determined by ordinance of the city. All special
31 obligation bonds issued pursuant to this act and all income or interest
32 therefrom shall be exempt from all state taxes except inheritance taxes.
33 Such special obligation bonds shall contain none of the recitals set forth
34 in K.S.A. 10-112, and amendments thereto. Such special obligation bonds
35 shall, however, contain the following recitals, viz., the authority under
36 which such special obligation bonds are issued, they are in conformity
37 with the provisions, restrictions and limitations thereof, and that such
38 special obligation bonds and the interest thereon are to be paid from the
39 money and revenue received as provided in paragraph (1) of this
40 subsection.

41 (b) (1) Subject to the provisions of paragraph (2) of this subsection,
42 any city shall have the power to issue full faith and credit tax increment
43 bonds to finance the undertaking of any redevelopment project in ac-

1 cordance with the provisions of K.S.A. 12-1770 *et seq.*, and amendments
2 thereto other than a project that will create a major tourism area or result
3 in the renovation of an historic theater. Such full faith and credit tax
4 increment bonds shall be made payable, both as to principal and interest:
5 (A) From the revenue sources identified in paragraph (1)(A), (B), (C),
6 (D) and (E) of subsection (a) or by any combination of these sources; and
7 (B) subject to the provisions of paragraph (2) of this subsection, from a
8 pledge of the city's full faith and credit to use its ad valorem taxing au-
9 thority for repayment thereof in the event all other authorized sources of
10 revenue are not sufficient.

11 (2) Except as provided in paragraph (3) of this subsection, before the
12 governing body of any city proposes to issue full faith and credit tax in-
13 crement bonds as authorized by this subsection, the feasibility study re-
14 quired by K.S.A. 12-1772, and amendments thereto, shall demonstrate
15 that the benefits derived from the project will exceed the cost and that
16 the income therefrom will be sufficient to pay the costs of the project.
17 No full faith and credit tax increment bonds shall be issued unless the
18 governing body states in the resolution required by K.S.A. 12-1772, and
19 amendments thereto, that it may issue such bonds to finance the proposed
20 redevelopment project. The governing body may issue the bonds unless
21 within 60 days following the date of the public hearing on the proposed
22 project plan a protest petition signed by 3% of the qualified voters of the
23 city is filed with the city clerk in accordance with the provisions of K.S.A.
24 25-3601 *et seq.*, and amendments thereto. If a sufficient petition is filed,
25 no full faith and credit tax increment bonds shall be issued until the
26 issuance of the bonds is approved by a majority of the voters voting at an
27 election thereon. Such election shall be called and held in the manner
28 provided by the general bond law. The failure of the voters to approve
29 the issuance of full faith and credit tax increment bonds shall not prevent
30 the city from issuing special obligation bonds in accordance with K.S.A.
31 12-1774, and amendments thereto. No such election shall be held in the
32 event the board of county commissioners or the board of education de-
33 termines, as provided in K.S.A. 12-1771, and amendments thereto, that
34 the proposed redevelopment district will have an adverse effect on the
35 county or school district.

36 (3) As an alternative to paragraph (2) of this subsection, any city which
37 adopts a project plan but does not state its intent to issue full faith and
38 credit tax increment bonds in the resolution required by K.S.A. 12-1772,
39 and amendments thereto, and has not acquired property in the redevel-
40 opment project area may issue full faith and credit tax increment bonds
41 if the governing body of the city adopts a resolution stating its intent to
42 issue the bonds and the issuance of the bonds is approved by a majority
43 of the voters voting at an election thereon. Such election shall be called

1 and held in the manner provided by the general bond law. The failure of
2 the voters to approve the issuance of full faith and credit tax increment
3 bonds shall not prevent the city from issuing special obligation bonds
4 pursuant to paragraph (1) of subsection (a). Any project plan adopted by
5 a city prior to the effective date of this act in accordance with K.S.A. 12-
6 1772, and amendments thereto, shall not be invalidated by any require-
7 ments of this act.

8 (4) During the progress of any redevelopment project in which the
9 redevelopment project costs will be financed, in whole or in part, with
10 the proceeds of full faith and credit tax increment bonds, the city may
11 issue temporary notes in the manner provided in K.S.A. 10-123, and
12 amendments thereto, to pay the redevelopment project costs for the pro-
13 ject. Such temporary notes shall not be issued and the city shall not ac-
14 quire property in the redevelopment project area until the requirements
15 of paragraph (2) or (3) of this subsection, whichever is applicable, have
16 been met.

17 (5) Full faith and credit tax increment bonds issued under this sub-
18 section shall be general obligations of the city and are declared to be
19 negotiable instruments. They shall be issued in accordance with the gen-
20 eral bond law. All such bonds and all income or interest therefrom shall
21 be exempt from all state taxes except inheritance taxes. The amount of
22 the full faith and credit tax increment bonds issued and outstanding which
23 exceeds 3% of the assessed valuation of the city shall be within the bonded
24 debt limit applicable to such city.

25 (6) Any city issuing special obligation bonds under the provisions of
26 this act may refund all or part of such issue pursuant to the provisions of
27 K.S.A. 10-116a, and amendments thereto.

28 (c) Any increment in ad valorem property taxes resulting from a re-
29 development project in the established redevelopment district under-
30 taken in accordance with the provisions of this act, shall be apportioned
31 to a special fund for the payment of the redevelopment project costs,
32 including the payment of principal and interest on any special obligation
33 bonds or full faith and credit tax increment bonds issued to finance such
34 project pursuant to this act and may be pledged to the payment of prin-
35 cipal and interest on such bonds.

36 Sec. 5. K.S.A. 2002 Supp. 79-3620 is hereby amended to read as
37 follows: 79-3620. (a) All revenue collected or received by the director of
38 taxation from the taxes imposed by this act shall be remitted to the state
39 treasurer in accordance with the provisions of K.S.A. 75-4215, and
40 amendments thereto. Upon receipt of each such remittance, the state
41 treasurer shall deposit the entire amount in the state treasury, less
42 amounts withheld as provided in subsection (b) and amounts credited as
43 provided in subsection (c) and (d), to the credit of the state general fund.

1 (b) A refund fund, designated as “sales tax refund fund” not to exceed
2 \$100,000 shall be set apart and maintained by the director from sales tax
3 collections and estimated tax collections and held by the state treasurer
4 for prompt payment of all sales tax refunds including refunds authorized
5 under the provisions of K.S.A. 79-3635, and amendments thereto. Such
6 fund shall be in such amount, within the limit set by this section, as the
7 director shall determine is necessary to meet current refunding require-
8 ments under this act. In the event such fund as established by this section
9 is, at any time, insufficient to provide for the payment of refunds due
10 claimants thereof, the director shall certify the amount of additional funds
11 required to the director of accounts and reports who shall promptly trans-
12 fer the required amount from the state general fund to the sales tax refund
13 fund, and notify the state treasurer, who shall make proper entry in the
14 records.

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

20 (2) The state treasurer shall credit $\frac{5}{104}$ of the revenue collected or
21 received from the tax imposed by K.S.A. 79-3603, and amendments
22 thereto, at the rate of 5.2%, and deposited as provided in subsection (a),
23 exclusive of amounts credited pursuant to subsection (d), in the state
24 highway fund.

25 (3) The state treasurer shall credit $\frac{5}{106}$ of the revenue collected or
26 received from the tax imposed by K.S.A. 79-3603, and amendments
27 thereto, at the rate of 5.3%, and deposited as provided in subsection (a),
28 exclusive of amounts credited pursuant to subsection (d), in the state
29 highway fund.

30 (4) The state treasurer shall credit $\frac{1}{20}$ of the revenue collected and
31 received from the tax imposed by K.S.A. 79-3603, and amendments
32 thereto, at the rate of 5%, and deposited as provided by subsection (a),
33 exclusive of amounts credited pursuant to subsection (d), in the state
34 highway fund.

35 (d) The state treasurer shall credit all revenue collected or received
36 from the tax imposed by K.S.A. 79-3603, and amendments thereto, as
37 certified by the director, from taxpayers doing business within that por-
38 tion of a redevelopment district occupied by a redevelopment project *or*
39 *taxpayers doing business with such entity financed by a special bond*
40 *project as defined in K.S.A. 12-1770a, and amendments thereto*, that was
41 determined by the secretary of commerce and housing to be of statewide
42 as well as local importance or will create a major tourism area for the
43 state *or the project was designated as a special bond project as defined*

1 in K.S.A. 12-1770a, and amendments thereto, to the city bond finance
2 fund, which fund is hereby created. The provisions of this subsection shall
3 expire when the total of all amounts credited hereunder and under sub-
4 section (d) of K.S.A. 79-3710, and amendments thereto, is sufficient to
5 retire the special obligation bonds issued for the purpose of financing all
6 or a portion of the costs of such redevelopment *or special bond* project.

7 New Sec. 6. Notwithstanding any other provisions of law to the con-
8 trary, copies of all retailers' sales, use and transient guest tax returns filed
9 with the director of the department of revenue in connection with a re-
10 development project area or special bond project for which sales, use and
11 transient guest tax revenues are pledged or otherwise intended to be used
12 in whole or in part for the payment of bonds issued to finance redevel-
13 opment or special bond project costs in such redevelopment or special
14 bond project area, shall be provided by the director of the department of
15 revenue to the bond trustee, escrow agent or paying agent for such bonds
16 upon the written request of the municipality within 15 days of receipt by
17 the director of the department of revenue. The bond trustee, escrow
18 agent or paying agent shall keep such retailers' sales, use and transient
19 guest tax returns and the information contained therein confidential, but
20 may use such information for purposes of allocating and depositing such
21 sales, use and transient guest tax revenues in connection with the bonds
22 used to finance redevelopment or special bond project costs in such re-
23 development or special bond project area. Except as otherwise provided
24 herein, the sales, use and transient guest tax returns received by the bond
25 trustee, escrow agent or paying agent shall be subject to the provisions
26 of K.S.A. 79-3614, and amendments thereto.

27 Sec. 7. K.S.A. 74-8017 is hereby amended to read as follows: 74-
28 8017. On and after January 1, 2003, it shall be the duty of Kansas, Inc.
29 to prepare an annual report evaluating the cost effectiveness of the various
30 income tax credits and sales tax exemptions enacted to encourage eco-
31 nomic development within this state and submit the same to the standing
32 committees on taxation and economic development of the house and as-
33 sessment and taxation and commerce of the senate at the beginning of
34 each regular session of the legislature. The secretary of revenue, in con-
35 sultation with the president of Kansas, Inc., shall develop a questionnaire
36 on the utilization of state income tax credits and sales tax exemptions that
37 shall be completed by all corporate taxpayers subject to state income tax
38 that shall be submitted to the department of revenue concurrently with
39 the filing of an annual corporate income tax return. The secretary shall
40 provide the completed questionnaires to Kansas, Inc. for use in the prep-
41 aration of such annual report. The questionnaire shall require respon-
42 dents to indicate utilization of the following credits and exemptions:

43 (a) Income tax credits authorized under the provisions of the job ex-

1 pansion and investment credit act of 1976 and acts amendatory thereof
2 and supplemental thereto;

3 (b) income tax credits for expenditures in research and development
4 activities authorized by K.S.A. 79-32,182, and amendments thereto;

5 (c) income and financial institutions privilege tax credits for cash in-
6 vestment in stock of Kansas Venture Capital, Inc. authorized by K.S.A.
7 74-8205 and 74-8206, and amendments thereto;

8 (d) income tax credits for cash investment in certified Kansas venture
9 capital companies authorized by K.S.A. 74-8304, and amendments
10 thereto;

11 (e) income tax credits for cash investment in certified local seed cap-
12 ital pools authorized by K.S.A. 74-8401, and amendments thereto;

13 (f) income tax credits for investment in the training and education of
14 qualified firms' employees authorized by K.S.A. 74-50,132, and amend-
15 ments thereto;

16 (g) sales tax exemptions for property or services purchased for the
17 purpose of and in conjunction with constructing, reconstructing, enlarg-
18 ing or remodeling a business, or retail business meeting the requirements
19 of K.S.A. 74-50,115, and amendments thereto, and machinery and equip-
20 ment for installation at such business or retail business authorized by
21 subsection (cc) of K.S.A. 79-3606, and amendments thereto; ~~and~~

22 (h) sales tax exemptions for machinery and equipment used directly
23 and primarily for the purposes of manufacturing, assembling, processing,
24 finishing, storing, warehousing or distributing articles of tangible personal
25 property in this state intended for resale by a manufacturing or processing
26 plant or facility or a storage, warehousing or distribution facility. The
27 secretary of revenue shall provide the completed questionnaires and cop-
28 ies of sales tax exemption certificates to Kansas, Inc. for the preparation
29 of such report; *and*

30 (i) *special obligation bonds authorized by K.S.A. 12-1774, and*
31 *amendments thereto.*

32 Sec. 8. K.S.A. 2002 Supp. 79-3710 is hereby amended to read as
33 follows: 79-3710. (a) All revenue collected or received by the director
34 under the provisions of this act shall be remitted to the state treasurer in
35 accordance with the provisions of K.S.A. 75-4215, and amendments
36 thereto. Upon receipt of each such remittance, the state treasurer shall
37 deposit the entire amount in the state treasury, less amounts set apart as
38 provided in subsection (b) and amounts credited as provided in subsection
39 (c) and (d), to the credit of the state general fund.

40 (b) A revolving fund, designated as "compensating tax refund fund"
41 not to exceed \$10,000 shall be set apart and maintained by the director
42 from compensating tax collections and estimated tax collections and held
43 by the state treasurer for prompt payment of all compensating tax refunds.

1 Such fund shall be in such amount, within the limit set by this section,
2 as the director shall determine is necessary to meet current refunding
3 requirements under this act.

4 (c) (1) The state treasurer shall credit $\frac{5}{98}$ of the revenue collected
5 or received from the tax imposed by K.S.A. 79-3703, and amendments
6 thereto, at the rate of 4.9%, and deposited as provided in subsection (a),
7 exclusive of amounts credited pursuant to subsection (d), in the state
8 highway fund.

9 (2) The state treasurer shall credit $\frac{5}{104}$ of the revenue collected or
10 received from the tax imposed by K.S.A. 79-3703, and amendments
11 thereto, at the rate of 5.2%, and deposited as provided in subsection (a),
12 exclusive of amounts credited pursuant to subsection (d), in the state
13 highway fund.

14 (3) The state treasurer shall credit $\frac{5}{106}$ of the revenue collected or
15 received from the tax imposed by K.S.A. 79-3703, and amendments
16 thereto, at the rate of 5.3%, and deposited as provided in subsection (a),
17 exclusive of amounts credited pursuant to subsection (d), in the state
18 highway fund.

19 (4) The state treasurer shall credit $\frac{1}{20}$ of the revenue collected or
20 received from the tax imposed by K.S.A. 79-3703, and amendments
21 thereto, at the rate of 5%, and deposited as provided by subsection (a),
22 exclusive of amounts credited pursuant to subsection (d), in the state
23 highway fund.

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

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

40 Sec. 9. K.S.A. 12-1770a, 12-1774 and 74-8017 and K.S.A. 2002 Supp.
41 79-3620 and 79-3710 are hereby repealed.

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