

As Amended by House Committee

Session of 2007

HOUSE BILL No. 2496

By Committee on Economic Development and Tourism

2-9

10 AN ACT concerning taxation; relating to credits; enacting the Kansas
11 investment credit act and the Kansas jobs credit act; relating to qual-
12 ifications and procedures; eliminating certain existing credits related
13 thereto; amending K.S.A. 40-253a and 74-8945 and K.S.A. 2006 Supp.
14 **74-50,132**, 79-32,111, 79-32,243 and 79-3606 and repealing the ex-
15 isting sections; also repealing K.S.A. 74-50,113, 74-50,116, 74-50,117,
16 74-50,118, 74-50,119, 74-50,135, 74-50,135a, 79-32,155, 79-32,156,
17 79-32,157, 79-32,158, 79-32,159, 79-32,159a, 79-32,159b, 79-32,159c,
18 79-32,160, 79-32,160b and 79-32,160c and K.S.A. 2006 Supp. 74-
19 50,114, 74-50,115, 74-50,131, ~~74-50,132~~, 74-50,133, 74-50,134, 79-
20 3269, 79-32,153, 79-32,154 and 79-32,160a.

21
22 *Be it enacted by the Legislature of the State of Kansas:*

23 New Section 1. The provisions of sections 1 through 8, and amend-
24 ments thereto, shall be known and may be cited as the Kansas investment
25 credit act.

26 New Sec. 2. As used in the Kansas investment credit act, unless oth-
27 erwise provided: (a) “Act” means the Kansas investment credit act;

28 (b) “ancillary support operation” means a Kansas business facility at
29 which the business activities are ancillary processing functions and from
30 which no or de minimis primary business activities occur. Ancillary proc-
31 essing functions shall support and improve operating efficiencies of the
32 primary focus of the business, but are not of themselves, integral and
33 necessary to performing the primary business activities;

34 (c) “eligible taxpayer” means a for-profit business establishment sub-
35 ject to the Kansas income tax act, the premium tax or privilege fees im-
36 posed pursuant to K.S.A. 40-252, and amendments thereto, the privilege
37 tax as measured by the net income of financial institutions imposed pur-
38 suant to chapter 79, article 11 of the Kansas Statutes Annotated, sales or
39 property taxes and that meets the eligibility criteria in section 3, and
40 amendments thereto and is current in payment of Kansas taxes;

41 (d) “headquarters” means a Kansas business facility where principal
42 officers of the business are housed and from which direction, manage-
43 ment, or administrative support of transactions is provided for a business

1 or division of a business and from which no more than de minimis rev-
2 enues are generated from primary business activities.

3 (e) “Kansas business facility” means any factory, mill, plant, refinery,
4 warehouse, feedlot, building or complex of buildings that operate as a
5 single unit on a contiguous piece of property, located within the state,
6 including the land on which such facility is located and all machinery,
7 equipment and other real and tangible personal property located at or
8 within such facility used in connection with the operation of such facility.
9 The term “Kansas business facility” includes only structures within which
10 individuals are customarily employed or which are customarily used to
11 house machinery, equipment or other property and that are not designed
12 with the capability of being transported, moved or relocated. Such Kansas
13 business facility shall satisfy the following requirements: (1) Such facility
14 must be employed by the eligible taxpayer in the operation of a revenue
15 producing enterprise. Such facility shall not be considered a Kansas busi-
16 ness facility in the hands of the taxpayer if the taxpayer’s only activity with
17 respect to such facility is to lease it to another person or persons. If the
18 taxpayer employs only a portion of such facility in the operation of a
19 revenue producing enterprise, and leases another portion of such facility
20 to another person or persons or does not otherwise use such other por-
21 tions in the operation of a revenue producing enterprise, the portion
22 employed by the taxpayer in the operation of a revenue producing en-
23 terprise shall be considered a Kansas business facility, if the requirements
24 of subsection (e)(2) are satisfied; and

25 (2) if such facility was acquired by the taxpayer from another person
26 or persons, such facility was not employed, immediately prior to the trans-
27 fer of title to such facility to the taxpayer, or to the commencement of
28 the term of the lease of such facility to the taxpayer, by any other person
29 or persons in the operation of a revenue producing enterprise and the
30 taxpayer continues the operation of the same or substantially identical
31 revenue producing enterprise at such facility;

32 (f) “opportunity zone” shall be established by the secretary of com-
33 merce through rules and regulations. In addition to other opportunity
34 zone designation criteria established by the secretary, such criteria shall
35 include: (1) An opportunity zone, which shall be comprised of at least
36 one county; (2) shall be economically disadvantaged; and (3) shall not
37 include any counties in a metropolitan statistical area or micropolitan
38 statistical area;

39 (g) “qualified investment” means the value of the real and tangible
40 personal property permanently and physically located at the Kansas busi-
41 ness facility, except that “qualified investment” does not include inven-
42 tory, construction in progress, or property held for sale to customers in
43 the ordinary course of the taxpayer’s business, which constitutes the Kan-

1 sas business facility, or which is used by the taxpayer in the operation of
2 the Kansas business facility, during the taxable year for which the credit
3 is claimed. The value of such property during such taxable year shall be:
4 (1) The original cost of such property, if owned by the eligible taxpayer;
5 or (2) eight times the net annual rental rate, if leased by the eligible
6 taxpayer. Original cost is deemed to be the basis of the property for fed-
7 eral income tax purposes, prior to any federal adjustments, at the time of
8 acquisition by the taxpayer and adjusted by subsequent capital additions
9 or improvements thereto and partial disposition thereof, by reason of sale,
10 exchange or abandonment. The net annual rental rate shall be the annual
11 rental rate paid by the taxpayer less any annual rental rate received by
12 the taxpayer from subrentals. “Qualified investment” shall be determined
13 by calculating the value of the qualified investment that has been newly
14 placed into service at the eligible taxpayer’s Kansas business facility during
15 the taxpayer’s tax year. In order to remain eligible the investment must
16 continue to be used during the tax year and remain in service on the last
17 business day of the taxpayer’s tax year for which the credit is claimed. For
18 plans that show a project shall extend beyond one tax period in which the
19 minimum investment is not met at the end of the first tax period that the
20 qualified investment is placed in service, the qualified investment can be
21 accumulated into the next consecutive tax period for computation of the
22 investment credit until the minimum investment has been met as long as
23 the qualified investment remains in service and is identified as part of the
24 same project. Once the minimum investment has been initially met on a
25 project, subsequent qualified investment may be claimed in the tax period
26 that it is placed in service;

27 (h) “revenue producing enterprise” means: (1) The assembly, fabri-
28 cation, manufacture or processing of any agricultural, mineral or manu-
29 factured product;
30 (2) the storage, warehousing, distribution or sale of any products of
31 agriculture, aquaculture, mining or manufacturing;
32 (3) the feeding of livestock at a feedlot;
33 (4) the operation of laboratories or other facilities for scientific, ag-
34 ricultural, aquacultural, animal husbandry or industrial research, devel-
35 opment or testing;
36 (5) the performance of services of any type;
37 (6) the feeding of aquatic plants and animals at an aquaculture
38 operation;
39 (7) the administrative management of any of the foregoing activities;
40 or
41 (8) any combination of any of the foregoing activities.

42 “Revenue producing enterprise” shall not mean a swine production
43 facility as defined in K.S.A. 17-5903, and amendments thereto; and

1 (i) “same or substantially identical revenue producing enterprise”
2 means a revenue producing enterprise in which the products produced
3 or sold, services performed or activities conducted are the same in char-
4 acter and use, are produced, sold, performed or conducted in the same
5 manner and to or for the same type of customers as the products, services
6 or activities produced, sold, performed or conducted in another revenue
7 producing enterprise.

8 New Sec. 3. (a) An eligible taxpayer may qualify for the investment
9 credit if all of the following criteria are met: (1) The taxpayer’s Kansas
10 business facility must be:

11 (A) Identified under the North American industry classification system (NAICS) subsector of **112112**, 221, 311-425, 481-624, 812-813, or
12 922-928, as assigned by the secretary of the department of labor; or
13

14 (B) identified as a headquarters or ancillary support operation by the
15 secretary of commerce for purposes of this act, regardless of NAICS
16 classification;

17 (2) the qualified investment for the project must equal or exceed
18 ~~\$100,000~~ **\$50,000** for those Kansas business facilities that are located in
19 an opportunity zone and ~~\$1,000,000~~ **\$150,000** for those Kansas business
20 facilities that are not located in an opportunity zone;

21 (3) the taxpayer shall satisfy payment of a higher-than-average wage
22 within a wage region at the Kansas business facility at which qualified
23 investment occurs by performing one of the options described below: (A)
24 The taxpayer’s Kansas business facility with 500 or fewer full-time equiv-
25 alent employees will provide an average wage that is above the average
26 wage paid by all Kansas business facilities that share the same assigned
27 NAICS category used to develop wage thresholds and that have reported
28 500 or fewer employees to the Kansas department of labor on the quar-
29 terly wage reports;

30 (B) the taxpayer’s Kansas business facility with 500 or fewer full-time
31 equivalent employees is the sole facility within its assigned NAICS cate-
32 gory that has reported wages for 500 or fewer employees to the Kansas
33 department of labor on the quarterly wage reports;

34 (C) the taxpayer’s Kansas business facility with more than 500 full-
35 time equivalent employees will provide an average wage that is above the
36 average wage paid by all Kansas business facilities that share the same
37 assigned NAICS category used to develop wage thresholds and that have
38 reported more than 500 employees to the Kansas department of labor on the
39 quarterly wage reports;

40 (D) the taxpayer’s Kansas business facility with more than 500 full-
41 time equivalent employees is the sole facility within its assigned NAICS
42 category that has reported wages for more than 500 employees to the
43 Kansas department of labor on the quarterly wage reports, in which event

1 it shall either provide an average wage that is above the average wage
2 paid by all Kansas business facilities that share the same assigned NAICS
3 category and that have reported wages for 500 or fewer employees to the
4 Kansas department of labor on the quarterly wage reports, or be the sole
5 Kansas business facility within its assigned NAICS category that has re-
6 ported wages to the Kansas department of labor on the quarterly wage
7 reports;

8 (E) the number of NAICS digits to use in developing each set of
9 wage thresholds for comparison purposes shall be determined by the
10 secretary of commerce; or

11 (F) the composition of wage regions used in connection with each set
12 of wage thresholds shall be determined by the secretary of commerce;
13 and

14 (4) as an alternative to the requirements of subsection (a)(3), a tax-
15 payer having met the requirements of subsections (a)(1) and (2) may
16 wage-qualify its Kansas business facility if, after excluding the headcount
17 and wages reported on the quarterly wage reports to the Kansas depart-
18 ment of labor for employees at that Kansas business facility who own five
19 percent or more equity in the taxpayer, the average wage calculated for
20 the taxpayer's Kansas business facility is greater than or equal to 1.5 times
21 the aggregate state-wide average wage paid by industries covered by the
22 employment security law based on data maintained by the secretary of
23 labor.

24 (b) For the purposes of this section, the number of full-time equiv-
25 alent employees shall be determined by dividing the number of hours
26 worked by part-time employees during the pertinent measurement in-
27 terval by an amount equal to the corresponding multiple of a 40-hour
28 work week and adding the quotient to the average number of full-time
29 employees.

30 New Sec. 4. (a) For taxable years commencing after December 31,
31 ~~2006~~ **2007**, an eligible taxpayer that makes a qualified investment in a
32 Kansas business facility shall be entitled to a credit in an amount equal
33 to 10% of the qualified investment. Qualified investment must be iden-
34 tified and submitted to the secretary of commerce prior to making a
35 commitment to invest. The credit allowed by this subsection shall be a
36 one-time credit. The credit shall be allowed against the tax imposed by
37 the Kansas income tax act, the premium tax or privilege fees imposed
38 pursuant to K.S.A. 40-252, and amendments thereto, or the privilege tax
39 as measured by the net income of financial institutions imposed pursuant
40 to article 11 of chapter 79 of the Kansas Statutes Annotated, for the
41 taxable year during which the qualified investment is placed into service.

42 (b) The eligible taxpayer shall claim the credit on the original return
43 for the tax year in which the qualified investment is placed into service.

- 1 (c) If the tax credit amount thereof exceeds the tax imposed, the tax
2 credit amount thereof which exceeds the eligible taxpayer's tax liability
3 may be carried forward for credit in the succeeding taxable year or years
4 until the total amount of the tax credit is used, except that no such tax
5 credit shall be carried forward for deduction after the tenth taxable year
6 succeeding the taxable year in which such credit initially was claimed and
7 no carry forward shall be allowed for deduction in any succeeding taxable
8 year unless the taxpayer continues to satisfy the eligibility criteria in sec-
9 tion 3, and amendments thereto, for such succeeding taxable year.
- 10 (d) A qualified investment, of at least ~~\$1,000,000~~ **\$150,000**, made by
11 the eligible taxpayer in a Kansas business facility that is not located in a
12 designated opportunity zone, may qualify for the investment credit.
- 13 (e) A qualified investment, of at least ~~\$100,000~~ **\$50,000**, made by
14 the eligible taxpayer in a Kansas business facility that is located in a des-
15 ignated opportunity zone, may qualify for the investment credit.
- 16 (f) If the eligible taxpayer is a corporation having an election in effect
17 under subchapter S of the federal internal revenue code, a partnership
18 or limited liability company, the credit provided by this section shall be
19 claimed by the shareholders of such corporation, the partners of such
20 partnership or the members of such limited liability company in the same
21 manner as such shareholders, partners, or members account for their
22 proportionate shares of income or loss of the corporation, partnership or
23 limited liability company.
- 24 New Sec. 5. (a) The secretary of revenue and the secretary of com-
25 merce shall work together to coordinate a set of procedures to implement
26 the provisions of this act.
- 27 (b) Any taxpayer claiming credits pursuant to this act, as a condition
28 for claiming and qualifying for such credits, shall provide information
29 pursuant to K.S.A. 2006 Supp. 79-32,243, and amendments thereto, as
30 part of the tax return in which such credits are claimed. Such credits shall
31 not be denied solely on the basis of the contents of the information pro-
32 vided by the taxpayer pursuant to K.S.A. 2006 Supp. 79-32,243, and
33 amendments thereto.
- 34 (c) The secretary of revenue shall submit an annual report to the
35 legislature regarding utilization of the credits claimed pursuant to this act,
36 for purposes of evaluation. Such report shall be due during the legislative
37 session, commencing with the ~~2009~~ **2010** legislative session.
- 38 New Sec. 6. The secretary of revenue and secretary of commerce
39 may adopt such rules and regulations as necessary to carry out the pur-
40 poses of this act.
- 41 New Sec. 7. (a) Except as otherwise provided, for tax years com-
42 mencing on or after December 31, ~~2006~~ **2007**, no additional credits may
43 be earned through the Kansas enterprise zone act, K.S.A. 79-32,160a; or

1 the job expansion and investment tax credit act, K.S.A. 79-32,153. Any
2 carry forward credit that has been earned through the Kansas enterprise
3 zone act, K.S.A. 79-32,160a and is remaining after December 31, ~~2006~~
4 **2007**, may be carried forward to succeeding taxable years as long as all
5 requirements continue to be met. Any credit that has been earned
6 through the job expansion and investment tax credit act, K.S.A. 79-32,153,
7 with years left in recomputing the credit after December 31, ~~2006~~ **2007**,
8 may continue for the remainder of the 10-year period as long as all
9 requirements continue to be met.

10 (b) Except as otherwise provided, for tax years commencing on or
11 after December 31, ~~2006~~ **2007**, no additional credits may be earned
12 through the high performance incentive act, K.S.A. 74-50,115, ~~K.S.A. 74-~~
13 ~~50,132~~, and subsection (e) of K.S.A. 79-32,160a. Any carry forward credit
14 that has been earned through the high performance incentive act, sub-
15 section (e) of K.S.A. 79-32,160a and is remaining after December 31,
16 ~~2006~~ **2007**, may be carried forward to succeeding taxable years, providing
17 all requirements continue to be met and subject to the applicable carry-
18 forward limitations. Any taxpayer who has filed an application to be cer-
19 tified under K.S.A. 74-50,131, prior to July 1, ~~2007~~ **2008**, may claim
20 credits under the high performance incentive act, subsection (e) of K.S.A.
21 79-32,160a; ~~and K.S.A. 74-50,131 and K.S.A. 74-50,132~~ during the cer-
22 tification period in tax years ~~2007 and 2008~~ **2008 and 2009**, which credits
23 may be carried forward until used or for a maximum of ten years, as long
24 as such taxpayer does not claim any credits for the same investment under
25 the Kansas investment credit act. To accommodate unusual timing situ-
26 ations during the ~~2007~~ **2008** transition period, timing modifications may
27 be authorized at the discretion of the secretary of commerce and the
28 secretary of revenue.

29 New Sec. 8. The provisions of this act shall be applicable to all tax-
30 able years commencing after December 31, ~~2006~~ **2007**, and prior to
31 January 1, ~~2012~~ **2013**.

32 New Sec. 9. The provisions of sections 9 through 14 may be cited
33 and shall be known as the Kansas jobs credit act.

34 New Sec. 10. As used in the Kansas jobs credit act, unless otherwise
35 provided: (a) “Act” means the Kansas jobs credit act;

36 (b) “employed” means that an employer-employee relationship ex-
37 ists. A person who performs services for the taxpayer shall be considered
38 as an employee if the taxpayer has the right to direct and control when,
39 where, and how work will be done. In addition the taxpayer shall pay for
40 the employee’s wages directly, or indirectly through inter-company trans-
41 fers. Independent contractors shall not be considered as employed for
42 purposes of the Kansas jobs credit;

43 (c) “Kansas job credit taxpayer” means any business entity authorized

1 to do business in the state of Kansas which is subject to the state income
2 tax imposed by the provisions of the Kansas income tax act, any national
3 banking association, state bank, trust company or savings and loan asso-
4 ciation paying an annual tax on its net income pursuant to article 11 of
5 chapter 79 of the Kansas Statutes Annotated, or any insurance company
6 paying the premium tax and privilege fees imposed pursuant to K.S.A.
7 40-252, and amendments thereto, is current in payment of Kansas taxes,
8 and has a Kansas business facility as defined in the investment credit act:
9 (1) Identified under the North American industry classification system
10 (NAICS) subsector of **112112**, 221, 311-425, 481-624, 812-813, or 922-
11 928, as assigned by the secretary of the department of labor; or
12 (2) identified as a headquarters or ancillary support operation, re-
13 gardless of NAICS classification;
14 (d) “new employee” means a person newly employed by the taxpayer
15 in the taxpayer’s business operating in Kansas during the taxable year for
16 which the credit allowed by section (11), and amendments thereto, is
17 claimed. A person shall be deemed to be so engaged if such person per-
18 forms duties in Kansas in connection with the operation of the Kansas
19 business on: (A) A regular, full-time basis; (B) a part-time basis, provided
20 such person is customarily performing such duties at least 20 hours per
21 week throughout the taxable year; or (C) a seasonal basis, provided such
22 person performs such duties for substantially all of the season customary
23 for the position in which such person is employed. For a Kansas business
24 that becomes operational during the current tax year, new employees shall
25 be the number of employees employed at the taxpayer’s Kansas business
26 on the last business day of the taxpayer’s tax year. In the case of employees
27 hired, in which the Kansas business existed and was operated by the
28 taxpayer prior to such hiring, the number of new employees employed in
29 the operation of the Kansas business shall be reduced by the number of
30 employees employed at such Kansas business on the last business day of
31 the taxpayer’s previous tax year. Employees acquired through an acqui-
32 sition or merger of a business operating in Kansas shall not be considered
33 as new employees;
34 (e) “opportunity zone” shall be established by the secretary of com-
35 merce through rules and regulations. In addition to other criteria estab-
36 lished by the secretary, such criteria shall include: (1) An opportunity
37 zone which shall be comprised of at least one county;
38 (2) shall be economically disadvantaged; and
39 (3) shall not include any counties in a metropolitan statistical area or
40 micropolitan statistical area;
41 (f) “opportunity zone job credit taxpayer” means any business entity
42 with a Kansas business facility as defined in the Kansas investment credit
43 act authorized to do business in the state of Kansas which is subject to

1 the state income tax imposed by the provisions of the Kansas income tax
2 act, any national banking association, state bank, trust company or savings
3 and loan association paying an annual tax on its net income pursuant to
4 article 11 of chapter 79 of the Kansas Statutes Annotated, or any insurance
5 company paying the premium tax and privilege fees imposed pursuant to
6 K.S.A. 40-252, and amendments thereto, and that is current in payment
7 of Kansas taxes; and

8 (g) “related taxpayer” means: (1) A corporation, partnership, trust or
9 association controlled by the taxpayer; (2) an individual, corporation, part-
10 nership, trust or association in control of the taxpayer; or (3) a corporation,
11 partnership, trust or association controlled by an individual, corporation,
12 partnership, trust or association in control of the taxpayer. “Control of a
13 corporation” means ownership, directly or indirectly, of stock possessing
14 at least 80% of the total combined voting power of all classes of stock
15 entitled to vote and at least 80% of all other classes of stock of the cor-
16 poration. “Control of a partnership or association” means ownership of
17 at least 80% of the capital or profits interest in such partnership or as-
18 sociation. “Control of a trust” means ownership, directly or indirectly, of
19 at least 80% of the beneficial interest in the principal or income of such
20 trust.

21 New Sec. 11. (a) For taxable years commencing after December 31,
22 ~~2006~~ 2007, any opportunity zone job credit taxpayer who engages in new
23 employment at least ~~five~~ **two** new employees in the taxpayer’s business
24 operating in a designated opportunity zone in Kansas shall be allowed a
25 credit of \$3,500 per new employee, against the tax imposed by the Kansas
26 income tax act, the premium tax or privilege fees imposed pursuant to
27 K.S.A. 40-252, and amendments thereto, or the privilege tax as measured
28 by the net income of financial institutions imposed pursuant to article 11
29 of chapter 79 of the Kansas Statutes Annotated, for the taxable year dur-
30 ing which the employees were hired, **provided, that such new em-**
31 **ployees shall be paid a wage that is at least the minimum set by**
32 **the federal fair labor standards act of 1938, and amendments**
33 **thereto.** To be considered employed in an opportunity zone, the em-
34 ployee must perform the majority of the services for the opportunity zone
35 job credit taxpayer in the opportunity zone. Any Kansas job credit tax-
36 payer located in the state of Kansas who engages in new employment at
37 least ~~20~~ **10** new employees in the taxpayer’s business operating in Kansas
38 **within two consecutive tax years** shall be allowed a credit of \$1,500
39 per new employee, against the tax imposed by the Kansas income tax act,
40 the premium tax or privilege fees imposed pursuant to K.S.A. 40-252,
41 and amendments thereto, or the privilege tax as measured by the net
42 income of financial institutions imposed pursuant to article 11 of chapter
43 79 of the Kansas Statutes Annotated, for the taxable year during which

1 the employees were hired.

2 (b) The taxpayer shall claim any credits pursuant to this act on the
3 original return for the tax year in which the employees were hired.

4 (c) If the amount of the tax credit exceeds the tax imposed, the
5 amount thereof which exceeds such tax liability may be carried forward
6 for credit in the succeeding taxable year or years until the total amount
7 of the tax credit is used. In the event the taxpayer does not continue to
8 employ the required minimum number of employees, any credit remain-
9 ing will be forfeited and no longer available for carry forward.

10 (d) If the taxpayer is a corporation having an election in effect under
11 subchapter S of the federal internal revenue code, a partnership or limited
12 liability company, the credit provided by this section shall be claimed by
13 the shareholders of such corporation, the partners of such partnership or
14 the members of such limited liability company in the same manner as
15 such shareholders, partners, or members account for their proportionate
16 shares of income or loss of the corporation, partnership or limited liability
17 company.

18 (e) A taxpayer that qualifies for the opportunity zone job credit for
19 an employee may not also qualify for the Kansas job credit for the same
20 employee.

21 (f) Only one taxpayer may claim a specific employee for purposes of
22 the opportunity zone job credit or the Kansas job credit. Employees trans-
23 ferred or reassigned within Kansas between related taxpayers will not
24 qualify for the credit.

25 New Sec. 12. (a) Any taxpayer claiming credits pursuant to this act,
26 as a condition for claiming and qualifying for such credits, shall provide
27 information pursuant to K.S.A. 2006 Supp. 79-32,243, and amendments
28 thereto, as part of the tax return in which such credits are claimed. Such
29 credits shall not be denied solely on the basis of the contents of the
30 information provided by the taxpayer pursuant to K.S.A. 2006 Supp. 79-
31 32,243, and amendments thereto.

32 (b) The secretary of revenue shall submit an annual report to the
33 legislature regarding utilization of the credits claimed pursuant to this act,
34 for purposes of evaluation. Such report shall be due during the legislative
35 session, commencing with the ~~2009~~ **2010** legislative session.

36 New Sec. 13. The secretary of revenue may adopt such rules and
37 regulations as necessary to carry out the purposes of this act.

38 New Sec. 14. The provisions of this act shall be applicable to all tax-
39 able years commencing after December 31, ~~2006~~ **2007** and prior to Jan-
40 uary 1, ~~2012~~ **2013**.

41 **Sec. 15. K.S.A. 2006 Supp. 74-50,132 is hereby amended to**
42 **read as follows: 74-50,132. (a) For taxable years commencing after**
43 **December 31, 1997 2007, a ~~qualified firm~~ business shall be entitled**

1 to a credit against the tax imposed by the Kansas income tax act,
2 the premium tax or privilege fee imposed pursuant to K.S.A. 40-
3 252, and amendments thereto or the privilege tax as measured by
4 net income of financial institutions imposed pursuant to chapter
5 79, article 11 of the Kansas Statutes Annotated in an amount equal
6 to the portion of the qualified business facility cash investment in
7 the training and education of the firm's employees that exceeds
8 2% of the firm's total payroll costs. The maximum amount of the
9 credit that may be claimed by a single corporate taxpayer in any
10 single tax year under this section shall not exceed \$50,000. Tax
11 credits earned by a qualified business under this section must be
12 claimed in their entirety in the tax year eligible.

13 (b) For tax years commencing after December 31, 2005, any
14 taxpayer claiming credits pursuant to this section, as a condition
15 for claiming and qualifying for such credits, shall provide infor-
16 mation pursuant to K.S.A. 2006 Supp. 79-32,243, and amendments
17 thereto, as part of the tax return in which such credits are claimed.
18 Such credits shall not be denied solely on the basis of the contents
19 of the information provided by the taxpayer pursuant to K.S.A.
20 2006 Supp. 79-32,243, and amendments thereto.

21 Sec. ~~15~~ 16. K.S.A. 40-253a is hereby amended to read as follows:
22 40-253a. For purposes of calculating any tax due under K.S.A. 40-253,
23 and amendments thereto, from a taxpayer not organized under the laws
24 of this state, the credits allowed pursuant to K.S.A. 40-2813, ~~74-50,132,~~
25 ~~79-32,153, 79-32,160~~ 74-50,132 and 79-32,196, and the *Kansas invest-*
26 *ment credit act* and the *Kansas jobs credit act*, and amendments thereto,
27 shall be treated as tax paid under K.S.A. 40-252, and amendments thereto.

28 Sec. ~~16~~ 17. K.S.A. 74-8945 is hereby amended to read as follows:
29 74-8945. The establishment shall not be allowed credits pursuant to
30 K.S.A. ~~79-32,160~~ the *Kansas investment credit act*, and amendments
31 thereto, for any amount of investment related to or computed on the
32 basis of any investment of the proceeds of obligations issued pursuant to
33 this act.

34 Sec. ~~17~~ 18. K.S.A. 2006 Supp. 79-32,111 is hereby amended to read
35 as follows: 79-32,111. (~~⌘~~) The amount of income tax paid to another state
36 by a resident individual, resident estate or resident trust on income de-
37 rived from sources in another state shall be allowed as a credit against
38 the tax computed under the provisions of this act. Such credit shall not
39 be greater in proportion to the tax computed under this act than the
40 adjusted gross income for such year derived in another state while such
41 taxpayer is a resident of this state is to the total Kansas adjusted gross
42 income of the taxpayer. As used in this subsection, state shall have the
43 meaning ascribed thereto by subsection (h) of K.S.A. 79-3271, and

1 amendments thereto. The credit allowable hereunder for income tax paid
2 to a foreign country or political subdivision thereof shall not exceed the
3 difference of such income tax paid less the credit allowable for such in-
4 come tax paid by the federal internal revenue code. No redetermination
5 of income tax paid for the purposes of determining the credit allowed by
6 this subsection shall be required for the taxable year for which an income
7 tax refund payment pursuant to the provisions of section 18 of article 10
8 of the Missouri constitution is made, but the income tax paid allowable
9 for credit in the next following taxable year shall be reduced by the
10 amount of such refund amount, except that, for tax year 1998, the income
11 tax paid allowable for credit shall be reduced by the amount of such
12 refunds made for all taxable years prior to tax year 1998.

13 ~~(b) There shall be allowed as a credit against the tax computed under~~
14 ~~the provisions of the Kansas income tax act, and acts amendatory thereof~~
15 ~~and supplemental thereto, on the Kansas taxable income of an individual,~~
16 ~~corporation or fiduciary the amount determined under the provisions of~~
17 ~~K.S.A. 79-32,153 to 79-32,158, and amendments thereto.~~

18 ~~Sec. 18.~~ **19.** K.S.A. 2006 Supp. 79-32,243 is hereby amended to read
19 as follows: 79-32,243. (a) For tax years commencing after December 31,
20 2005, any taxpayer claiming credits pursuant to K.S.A. 74-50,132, 79-
21 32,153 or 79-32,160a, and amendments thereto, *and the Kansas invest-*
22 *ment credit act and the Kansas jobs credit act, and amendments thereto,*
23 as a condition for claiming and qualifying for such credits, shall provide
24 the following information as part of the tax return, in which such credits
25 are claimed, which shall be used by the department of revenue in eval-
26 uating the effectiveness of such tax credit programs, pursuant to K.S.A.
27 2006 Supp. 74-99b35, and amendments thereto:

28 (1) Actual jobs created as a direct result of the expenditures on which
29 such credit claim is based, if the taxpayer has previously submitted an
30 estimate of such number of actual jobs created to the department of
31 commerce as a part of applying for certification for such program
32 participation;

33 (2) additional payroll generated as a direct result of the expenditures
34 on which such credit claim is based, if the taxpayer has previously sub-
35 mitted an estimate of such amount of additional payroll generated to the
36 department of commerce as a part of applying for certification for such
37 program participation;

38 (3) actual jobs retained as a direct result of the expenditures on which
39 such credit claim is based, if the taxpayer has previously submitted an
40 estimate of actual jobs retained to the department of commerce as a part
41 of applying for certification for such program participation;

42 (4) additional revenue generated as a direct result of the expenditures
43 on which such credit claim is based, if the taxpayer has previously sub-

1 mitted an estimate of such amount of additional revenue generated to
2 the department of commerce as a part of applying for certification for
3 such program participation;

4 (5) additional sales generated as a direct result of the expenditures
5 on which such credit claim is based, if the taxpayer has previously sub-
6 mitted an estimate of additional sales generated to the department of
7 commerce as a part of applying for certification for program participation;
8 and

9 (6) total employment and payroll at the end of the tax year in which
10 the credits are claimed.

11 (b) Such credits specified in subsection (a) shall not be denied solely
12 on the basis of the information provided by the taxpayer pursuant to
13 subsections (a)(1) through (a)(6).

14 ~~Sec. 19.~~ **20.** K.S.A. 2006 Supp. 79-3606 is hereby amended to read
15 as follows: 79-3606. The following shall be exempt from the tax imposed
16 by this act:

17 (a) All sales of motor-vehicle fuel or other articles upon which a sales
18 or excise tax has been paid, not subject to refund, under the laws of this
19 state except cigarettes as defined by K.S.A. 79-3301 and amendments
20 thereto, cereal malt beverages and malt products as defined by K.S.A. 79-
21 3817 and amendments thereto, including wort, liquid malt, malt syrup
22 and malt extract, which is not subject to taxation under the provisions of
23 K.S.A. 79-41a02 and amendments thereto, motor vehicles taxed pursuant
24 to K.S.A. 79-5117, and amendments thereto, tires taxed pursuant to
25 K.S.A. 65-3424d, and amendments thereto, drycleaning and laundry serv-
26 ices taxed pursuant to K.S.A. 65-34,150, and amendments thereto, and
27 gross receipts from regulated sports contests taxed pursuant to the Kansas
28 professional regulated sports act, and amendments thereto;

29 (b) all sales of tangible personal property or service, including the
30 renting and leasing of tangible personal property, purchased directly by
31 the state of Kansas, a political subdivision thereof, other than a school or
32 educational institution, or purchased by a public or private nonprofit hos-
33 pital or public hospital authority or nonprofit blood, tissue or organ bank
34 and used exclusively for state, political subdivision, hospital or public hos-
35 pital authority or nonprofit blood, tissue or organ bank purposes, except
36 when: (1) Such state, hospital or public hospital authority is engaged or
37 proposes to engage in any business specifically taxable under the provi-
38 sions of this act and such items of tangible personal property or service
39 are used or proposed to be used in such business, or (2) such political
40 subdivision is engaged or proposes to engage in the business of furnishing
41 gas, electricity or heat to others and such items of personal property or
42 service are used or proposed to be used in such business;

43 (c) all sales of tangible personal property or services, including the

1 renting and leasing of tangible personal property, purchased directly by
2 a public or private elementary or secondary school or public or private
3 nonprofit educational institution and used primarily by such school or
4 institution for nonsectarian programs and activities provided or sponsored
5 by such school or institution or in the erection, repair or enlargement of
6 buildings to be used for such purposes. The exemption herein provided
7 shall not apply to erection, construction, repair, enlargement or equip-
8 ment of buildings used primarily for human habitation;

9 (d) all sales of tangible personal property or services purchased by a
10 contractor for the purpose of constructing, equipping, reconstructing,
11 maintaining, repairing, enlarging, furnishing or remodeling facilities for
12 any public or private nonprofit hospital or public hospital authority, public
13 or private elementary or secondary school or a public or private nonprofit
14 educational institution, which would be exempt from taxation under the
15 provisions of this act if purchased directly by such hospital or public hos-
16 pital authority, school or educational institution; and all sales of tangible
17 personal property or services purchased by a contractor for the purpose
18 of constructing, equipping, reconstructing, maintaining, repairing, en-
19 larging, furnishing or remodeling facilities for any political subdivision of
20 the state or district described in subsection (s), the total cost of which is
21 paid from funds of such political subdivision or district and which would
22 be exempt from taxation under the provisions of this act if purchased
23 directly by such political subdivision or district. Nothing in this subsection
24 or in the provisions of K.S.A. 12-3418 and amendments thereto, shall be
25 deemed to exempt the purchase of any construction machinery, equip-
26 ment or tools used in the constructing, equipping, reconstructing, main-
27 taining, repairing, enlarging, furnishing or remodeling facilities for any
28 political subdivision of the state or any such district. As used in this sub-
29 section, K.S.A. 12-3418 and 79-3640, and amendments thereto, "funds
30 of a political subdivision" shall mean general tax revenues, the proceeds
31 of any bonds and gifts or grants-in-aid. Gifts shall not mean funds used
32 for the purpose of constructing, equipping, reconstructing, repairing, en-
33 larging, furnishing or remodeling facilities which are to be leased to the
34 donor. When any political subdivision of the state, district described in
35 subsection (s), public or private nonprofit hospital or public hospital au-
36 thority, public or private elementary or secondary school or public or
37 private nonprofit educational institution shall contract for the purpose of
38 constructing, equipping, reconstructing, maintaining, repairing, enlarg-
39 ing, furnishing or remodeling facilities, it shall obtain from the state and
40 furnish to the contractor an exemption certificate for the project involved,
41 and the contractor may purchase materials for incorporation in such pro-
42 ject. The contractor shall furnish the number of such certificate to all
43 suppliers from whom such purchases are made, and such suppliers shall

1 execute invoices covering the same bearing the number of such certifi-
2 cate. Upon completion of the project the contractor shall furnish to the
3 political subdivision, district described in subsection (s), hospital or public
4 hospital authority, school or educational institution concerned a sworn
5 statement, on a form to be provided by the director of taxation, that all
6 purchases so made were entitled to exemption under this subsection. As
7 an alternative to the foregoing procedure, any such contracting entity may
8 apply to the secretary of revenue for agent status for the sole purpose of
9 issuing and furnishing project exemption certificates to contractors pur-
10 suant to rules and regulations adopted by the secretary establishing con-
11 ditions and standards for the granting and maintaining of such status. All
12 invoices shall be held by the contractor for a period of five years and shall
13 be subject to audit by the director of taxation. If any materials purchased
14 under such a certificate are found not to have been incorporated in the
15 building or other project or not to have been returned for credit or the
16 sales or compensating tax otherwise imposed upon such materials which
17 will not be so incorporated in the building or other project reported and
18 paid by such contractor to the director of taxation not later than the 20th
19 day of the month following the close of the month in which it shall be
20 determined that such materials will not be used for the purpose for which
21 such certificate was issued, the political subdivision, district described in
22 subsection (s), hospital or public hospital authority, school or educational
23 institution concerned shall be liable for tax on all materials purchased for
24 the project, and upon payment thereof it may recover the same from the
25 contractor together with reasonable attorney fees. Any contractor or any
26 agent, employee or subcontractor thereof, who shall use or otherwise
27 dispose of any materials purchased under such a certificate for any pur-
28 pose other than that for which such a certificate is issued without the
29 payment of the sales or compensating tax otherwise imposed upon such
30 materials, shall be guilty of a misdemeanor and, upon conviction therefor,
31 shall be subject to the penalties provided for in subsection (g) of K.S.A.
32 79-3615, and amendments thereto;

33 (e) all sales of tangible personal property or services purchased by a
34 contractor for the erection, repair or enlargement of buildings or other
35 projects for the government of the United States, its agencies or instru-
36 mentalities, which would be exempt from taxation if purchased directly
37 by the government of the United States, its agencies or instrumentalities.
38 When the government of the United States, its agencies or instrumen-
39 talities shall contract for the erection, repair, or enlargement of any build-
40 ing or other project, it shall obtain from the state and furnish to the
41 contractor an exemption certificate for the project involved, and the con-
42 tractor may purchase materials for incorporation in such project. The
43 contractor shall furnish the number of such certificates to all suppliers

1 from whom such purchases are made, and such suppliers shall execute
2 invoices covering the same bearing the number of such certificate. Upon
3 completion of the project the contractor shall furnish to the government
4 of the United States, its agencies or instrumentalities concerned a sworn
5 statement, on a form to be provided by the director of taxation, that all
6 purchases so made were entitled to exemption under this subsection. As
7 an alternative to the foregoing procedure, any such contracting entity may
8 apply to the secretary of revenue for agent status for the sole purpose of
9 issuing and furnishing project exemption certificates to contractors pur-
10 suant to rules and regulations adopted by the secretary establishing con-
11 ditions and standards for the granting and maintaining of such status. All
12 invoices shall be held by the contractor for a period of five years and shall
13 be subject to audit by the director of taxation. Any contractor or any agent,
14 employee or subcontractor thereof, who shall use or otherwise dispose of
15 any materials purchased under such a certificate for any purpose other
16 than that for which such a certificate is issued without the payment of
17 the sales or compensating tax otherwise imposed upon such materials,
18 shall be guilty of a misdemeanor and, upon conviction therefor, shall be
19 subject to the penalties provided for in subsection (g) of K.S.A. 79-3615
20 and amendments thereto;

21 (f) tangible personal property purchased by a railroad or public utility
22 for consumption or movement directly and immediately in interstate
23 commerce;

24 (g) sales of aircraft including remanufactured and modified aircraft
25 sold to persons using directly or through an authorized agent such aircraft
26 as certified or licensed carriers of persons or property in interstate or
27 foreign commerce under authority of the laws of the United States or any
28 foreign government or sold to any foreign government or agency or in-
29 strumentality of such foreign government and all sales of aircraft for use
30 outside of the United States and sales of aircraft repair, modification and
31 replacement parts and sales of services employed in the remanufacture,
32 modification and repair of aircraft;

33 (h) all rentals of nonsectarian textbooks by public or private elemen-
34 tary or secondary schools;

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

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

42 (k) any motor vehicle, semitrailer or pole trailer, as such terms are
43 defined by K.S.A. 8-126 and amendments thereto, or aircraft sold and

1 delivered in this state to a bona fide resident of another state, which motor
2 vehicle, semitrailer, pole trailer or aircraft is not to be registered or based
3 in this state and which vehicle, semitrailer, pole trailer or aircraft will not
4 remain in this state more than 10 days;

5 (l) all isolated or occasional sales of tangible personal property, serv-
6 ices, substances or things, except isolated or occasional sale of motor
7 vehicles specifically taxed under the provisions of subsection (o) of K.S.A.
8 79-3603 and amendments thereto;

9 (m) all sales of tangible personal property which become an ingre-
10 dient or component part of tangible personal property or services pro-
11 duced, manufactured or compounded for ultimate sale at retail within or
12 without the state of Kansas; and any such producer, manufacturer or
13 compounder may obtain from the director of taxation and furnish to the
14 supplier an exemption certificate number for tangible personal property
15 for use as an ingredient or component part of the property or services
16 produced, manufactured or compounded;

17 (n) all sales of tangible personal property which is consumed in the
18 production, manufacture, processing, mining, drilling, refining or com-
19 pounding of tangible personal property, the treating of by-products or
20 wastes derived from any such production process, the providing of serv-
21 ices or the irrigation of crops for ultimate sale at retail within or without
22 the state of Kansas; and any purchaser of such property may obtain from
23 the director of taxation and furnish to the supplier an exemption certifi-
24 cate number for tangible personal property for consumption in such pro-
25 duction, manufacture, processing, mining, drilling, refining, compound-
26 ing, treating, irrigation and in providing such services;

27 (o) all sales of animals, fowl and aquatic plants and animals, the pri-
28 mary purpose of which is use in agriculture or aquaculture, as defined in
29 K.S.A. 47-1901, and amendments thereto, the production of food for
30 human consumption, the production of animal, dairy, poultry or aquatic
31 plant and animal products, fiber or fur, or the production of offspring for
32 use for any such purpose or purposes;

33 (p) all sales of drugs dispensed pursuant to a prescription order by a
34 licensed practitioner or a mid-level practitioner as defined by K.S.A. 65-
35 1626, and amendments thereto. As used in this subsection, “drug” means
36 a compound, substance or preparation and any component of a com-
37 pound, substance or preparation, other than food and food ingredients,
38 dietary supplements or alcoholic beverages, recognized in the official
39 United States pharmacopoeia, official homeopathic pharmacopoeia of the
40 United States or official national formulary, and supplement to any of
41 them, intended for use in the diagnosis, cure, mitigation, treatment or
42 prevention of disease or intended to affect the structure or any function
43 of the body;

- 1 (q) all sales of insulin dispensed by a person licensed by the state
2 board of pharmacy to a person for treatment of diabetes at the direction
3 of a person licensed to practice medicine by the board of healing arts;
- 4 (r) all sales of prosthetic devices and mobility enhancing equipment
5 prescribed in writing by a person licensed to practice the healing arts,
6 dentistry or optometry, and in addition to such sales, all sales of hearing
7 aids, as defined by subsection (c) of K.S.A. 74-5807, and amendments
8 thereto, and repair and replacement parts therefor, including batteries,
9 by a person licensed in the practice of dispensing and fitting hearing aids
10 pursuant to the provisions of K.S.A. 74-5808, and amendments thereto.
11 For the purposes of this subsection: (1) “Mobility enhancing equipment”
12 means equipment including repair and replacement parts to same, but
13 does not include durable medical equipment, which is primarily and cus-
14 tomarily used to provide or increase the ability to move from one place
15 to another and which is appropriate for use either in a home or a motor
16 vehicle; is not generally used by persons with normal mobility; and does
17 not include any motor vehicle or equipment on a motor vehicle normally
18 provided by a motor vehicle manufacturer; and (2) “prosthetic device”
19 means a replacement, corrective or supportive device including repair
20 and replacement parts for same worn on or in the body to artificially
21 replace a missing portion of the body, prevent or correct physical defor-
22 mity or malfunction or support a weak or deformed portion of the body;
- 23 (s) except as provided in K.S.A. 2006 Supp. 82a-2101, and amend-
24 ments thereto, all sales of tangible personal property or services pur-
25 chased directly or indirectly by a groundwater management district or-
26 ganized or operating under the authority of K.S.A. 82a-1020 et seq. and
27 amendments thereto, by a rural water district organized or operating un-
28 der the authority of K.S.A. 82a-612, and amendments thereto, or by a
29 water supply district organized or operating under the authority of K.S.A.
30 19-3501 et seq., 19-3522 et seq. or 19-3545, and amendments thereto,
31 which property or services are used in the construction activities, opera-
32 tion or maintenance of the district;
- 33 (t) all sales of farm machinery and equipment or aquaculture ma-
34 chinery and equipment, repair and replacement parts therefor and serv-
35 ices performed in the repair and maintenance of such machinery and
36 equipment. For the purposes of this subsection the term “farm machinery
37 and equipment or aquaculture machinery and equipment” shall include
38 a work-site utility vehicle, as defined in K.S.A. 8-126, and amendments
39 thereto, and is equipped with a bed or cargo box for hauling materials,
40 and shall also include machinery and equipment used in the operation of
41 Christmas tree farming but shall not include any passenger vehicle, truck,
42 truck tractor, trailer, semitrailer or pole trailer, other than a farm trailer,
43 as such terms are defined by K.S.A. 8-126 and amendments thereto. Each

- 1 purchaser of farm machinery and equipment or aquaculture machinery
2 and equipment exempted herein must certify in writing on the copy of
3 the invoice or sales ticket to be retained by the seller that the farm ma-
4 chinery and equipment or aquaculture machinery and equipment pur-
5 chased will be used only in farming, ranching or aquaculture production.
6 Farming or ranching shall include the operation of a feedlot and farm
7 and ranch work for hire and the operation of a nursery;
- 8 (u) all leases or rentals of tangible personal property used as a dwell-
9 ing if such tangible personal property is leased or rented for a period of
10 more than 28 consecutive days;
- 11 (v) all sales of tangible personal property to any contractor for use in
12 preparing meals for delivery to homebound elderly persons over 60 years
13 of age and to homebound disabled persons or to be served at a group-
14 sitting at a location outside of the home to otherwise homebound elderly
15 persons over 60 years of age and to otherwise homebound disabled per-
16 sons, as all or part of any food service project funded in whole or in part
17 by government or as part of a private nonprofit food service project avail-
18 able to all such elderly or disabled persons residing within an area of
19 service designated by the private nonprofit organization, and all sales of
20 tangible personal property for use in preparing meals for consumption by
21 indigent or homeless individuals whether or not such meals are consumed
22 at a place designated for such purpose, and all sales of food products by
23 or on behalf of any such contractor or organization for any such purpose;
- 24 (w) all sales of natural gas, electricity, heat and water delivered
25 through mains, lines or pipes: (1) To residential premises for noncom-
26 mercial use by the occupant of such premises; (2) for agricultural use and
27 also, for such use, all sales of propane gas; (3) for use in the severing of
28 oil; and (4) to any property which is exempt from property taxation pur-
29 suant to K.S.A. 79-201b *Second* through *Sixth*. As used in this paragraph,
30 “severing” shall have the meaning ascribed thereto by subsection (k) of
31 K.S.A. 79-4216, and amendments thereto. For all sales of natural gas,
32 electricity and heat delivered through mains, lines or pipes pursuant to
33 the provisions of subsection (w)(1) and (w)(2), the provisions of this sub-
34 section shall expire on December 31, 2005;
- 35 (x) all sales of propane gas, LP-gas, coal, wood and other fuel sources
36 for the production of heat or lighting for noncommercial use of an oc-
37 cupant of residential premises occurring prior to January 1, 2006;
- 38 (y) all sales of materials and services used in the repairing, servicing,
39 altering, maintaining, manufacturing, remanufacturing, or modification of
40 railroad rolling stock for use in interstate or foreign commerce under
41 authority of the laws of the United States;
- 42 (z) all sales of tangible personal property and services purchased di-
43 rectly by a port authority or by a contractor therefor as provided by the

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

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

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

13 (cc) all sales of tangible personal property or services purchased for
14 the purpose of and in conjunction with constructing, reconstructing, en-
15 larging or remodeling a ~~business or retail business which meets the~~
16 ~~requirements established in K.S.A. 74-50,115 and amendments thereto~~
17 *Kansas business facility*, and the sale and installation of machinery and
18 equipment purchased for installation at any such ~~business or retail busi-~~
19 ~~ness~~ *Kansas business facility*. When a ~~person shall contract~~ *Kansas jobs*
20 *or opportunity zone credit taxpayer, as defined in section 10, and amend-*
21 *ments thereto, or an eligible taxpayer, as defined in section 2, and amend-*
22 *ments thereto, purchases machinery and equipment or contracts for the*
23 *construction, reconstruction, enlargement or remodeling of any such*
24 ~~business or retail business~~ *Kansas business facility, such person taxpayer*
25 shall obtain from the state and furnish to the contractor an exemption
26 certificate for the project involved, and the contractor may purchase ma-
27 terials, machinery and equipment for incorporation in such project. *Such*
28 *exemption certificate shall not extend beyond two years from the date of*
29 *the application for the exemption certificate. Extensions may be granted*
30 *under proper circumstances.* The contractor shall furnish the number of
31 such certificates to all suppliers from whom such purchases are made,
32 and such suppliers shall execute invoices covering the same bearing the
33 number of such certificate. Upon completion of the project the contractor
34 shall furnish to the ~~owner of the business or retail business~~ *taxpayer* a
35 sworn statement, on a form to be provided by the director of taxation,
36 that all purchases so made were entitled to exemption under this subsec-
37 tion. All invoices shall be held by the contractor for a period of five years
38 and shall be subject to audit by the director of taxation. Any contractor
39 or any agent, employee or subcontractor thereof, who shall use or oth-
40 erwise dispose of any materials, machinery or equipment purchased un-
41 der such a certificate for any purpose other than that for which such a
42 certificate is issued without the payment of the sales or compensating tax
43 otherwise imposed thereon, shall be guilty of a misdemeanor and, upon

1 conviction therefor, shall be subject to the penalties provided for in sub-
2 section (g) of K.S.A. 79-3615 and amendments thereto. ~~As used in this~~
3 ~~subsection, “business” and “retail business” have the meanings respec-~~
4 ~~tively ascribed thereto by K.S.A. 74-50,114 and amendments thereto~~ Any
5 *person constructing, reconstructing, remodeling or enlarging a facility*
6 *which will be leased in whole or in part for a period of five years or more,*
7 *to a Kansas jobs or opportunity zone credit taxpayer as defined in section*
8 *10, and amendments thereto, or an eligible taxpayer as defined in section*
9 *2, and amendments thereto, that would be eligible for a sales tax exemp-*
10 *tion under the provisions of this subsection, if such taxpayer had con-*
11 *structed, reconstructed, enlarged or remodeled such facility or portion*
12 *thereof itself shall be entitled to the sales tax exemption under the provi-*
13 *sions of this subsection. When such person leases less than the total facility*
14 *to such taxpayer, a project exemption certificate may be granted on: (1)*
15 *The total cost of constructing, reconstructing, remodeling or enlarging,*
16 *the facility multiplied by a fraction given by dividing the number of leased*
17 *square feet eligible for the sales tax exemption by the total square feet*
18 *being constructed, reconstructed, remodeled or enlarged; or (2) the actual*
19 *cost of constructing, reconstructing, remodeling or enlarging that portion*
20 *of the facility to be occupied by such taxpayer, as the person may elect;*
21 (dd) all sales of tangible personal property purchased with food
22 stamps issued by the United States department of agriculture;
23 (ee) all sales of lottery tickets and shares made as part of a lottery
24 operated by the state of Kansas;
25 (ff) on and after July 1, 1988, all sales of new mobile homes or man-
26 ufactured homes to the extent of 40% of the gross receipts, determined
27 without regard to any trade-in allowance, received from such sale. As used
28 in this subsection, “mobile homes” and “manufactured homes” shall have
29 the meanings ascribed thereto by K.S.A. 58-4202 and amendments
30 thereto;
31 (gg) all sales of tangible personal property purchased in accordance
32 with vouchers issued pursuant to the federal special supplemental food
33 program for women, infants and children;
34 (hh) all sales of medical supplies and equipment, including durable
35 medical equipment, purchased directly by a nonprofit skilled nursing
36 home or nonprofit intermediate nursing care home, as defined by K.S.A.
37 39-923, and amendments thereto, for the purpose of providing medical
38 services to residents thereof. This exemption shall not apply to tangible
39 personal property customarily used for human habitation purposes. As
40 used in this subsection, “durable medical equipment” means equipment
41 including repair and replacement parts for such equipment, but does not
42 include mobility enhancing equipment as defined in subsection (r) which
43 can withstand repeated use, is primarily and customarily used to serve a

- 1 medical purpose, generally is not useful to a person in the absence of
2 illness or injury and is not worn in or on the body;
- 3 (ii) all sales of tangible personal property purchased directly by a non-
4 profit organization for nonsectarian comprehensive multidiscipline youth
5 development programs and activities provided or sponsored by such or-
6 ganization, and all sales of tangible personal property by or on behalf of
7 any such organization. This exemption shall not apply to tangible personal
8 property customarily used for human habitation purposes;
- 9 (jj) all sales of tangible personal property or services, including the
10 renting and leasing of tangible personal property, purchased directly on
11 behalf of a community-based mental retardation facility or mental health
12 center organized pursuant to K.S.A. 19-4001 et seq., and amendments
13 thereto, and licensed in accordance with the provisions of K.S.A. 75-
14 3307b and amendments thereto and all sales of tangible personal property
15 or services purchased by contractors during the time period from July,
16 2003, through June, 2006, for the purpose of constructing, equipping,
17 maintaining or furnishing a new facility for a community-based mental
18 retardation facility or mental health center located in Riverton, Cherokee
19 County, Kansas, which would have been eligible for sales tax exemption
20 pursuant to this subsection if purchased directly by such facility or center.
21 This exemption shall not apply to tangible personal property customarily
22 used for human habitation purposes;
- 23 (kk) (1) (A) all sales of machinery and equipment which are used in
24 this state as an integral or essential part of an integrated production op-
25 eration by a manufacturing or processing plant or facility;
- 26 (B) all sales of installation, repair and maintenance services per-
27 formed on such machinery and equipment; and
- 28 (C) all sales of repair and replacement parts and accessories pur-
29 chased for such machinery and equipment.
- 30 (2) For purposes of this subsection:
- 31 (A) “Integrated production operation” means an integrated series of
32 operations engaged in at a manufacturing or processing plant or facility
33 to process, transform or convert tangible personal property by physical,
34 chemical or other means into a different form, composition or character
35 from that in which it originally existed. Integrated production operations
36 shall include: (i) Production line operations, including packaging opera-
37 tions; (ii) preproduction operations to handle, store and treat raw mate-
38 rials; (iii) post production handling, storage, warehousing and distribution
39 operations; and (iv) waste, pollution and environmental control opera-
40 tions, if any;
- 41 (B) “production line” means the assemblage of machinery and equip-
42 ment at a manufacturing or processing plant or facility where the actual
43 transformation or processing of tangible personal property occurs;

1 (C) “manufacturing or processing plant or facility” means a single,
2 fixed location owned or controlled by a manufacturing or processing busi-
3 ness that consists of one or more structures or buildings in a contiguous
4 area where integrated production operations are conducted to manufac-
5 ture or process tangible personal property to be ultimately sold at retail.
6 Such term shall not include any facility primarily operated for the purpose
7 of conveying or assisting in the conveyance of natural gas, electricity, oil
8 or water. A business may operate one or more manufacturing or proc-
9 essing plants or facilities at different locations to manufacture or process
10 a single product of tangible personal property to be ultimately sold at
11 retail;

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

1 or refurbish and repair tangible personal property for its owner;

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

10 (F) “primary” or “primarily” mean more than 50% of the time.

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

14 (A) To receive, transport, convey, handle, treat or store raw materials
15 in preparation of its placement on the production line;

16 (B) to transport, convey, handle or store the property undergoing
17 manufacturing or processing at any point from the beginning of the pro-
18 duction line through any warehousing or distribution operation of the
19 final product that occurs at the plant or facility;

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

22 (D) to guide, control or direct the movement of property undergoing
23 manufacturing or processing;

24 (E) to test or measure raw materials, the property undergoing man-
25 ufacturing or processing or the finished product, as a necessary part of
26 the manufacturer’s integrated production operations;

27 (F) to plan, manage, control or record the receipt and flow of inven-
28 tories of raw materials, consumables and component parts, the flow of
29 the property undergoing manufacturing or processing and the manage-
30 ment of inventories of the finished product;

31 (G) to produce energy for, lubricate, control the operating of or oth-
32 erwise enable the functioning of other production machinery and equip-
33 ment and the continuation of production operations;

34 (H) to package the property being manufactured or processed in a
35 container or wrapping in which such property is normally sold or
36 transported;

37 (I) to transmit or transport electricity, coke, gas, water, steam or sim-
38 ilar substances used in production operations from the point of genera-
39 tion, if produced by the manufacturer or processor at the plant site, to
40 that manufacturer’s production operation; or, if purchased or delivered
41 from offsite, from the point where the substance enters the site of the
42 plant or facility to that manufacturer’s production operations;

43 (J) to cool, heat, filter, refine or otherwise treat water, steam, acid,

- 1 oil, solvents or other substances that are used in production operations;
- 2 (K) to provide and control an environment required to maintain cer-
3 tain levels of air quality, humidity or temperature in special and limited
4 areas of the plant or facility, where such regulation of temperature or
5 humidity is part of and essential to the production process;
- 6 (L) to treat, transport or store waste or other byproducts of produc-
7 tion operations at the plant or facility; or
- 8 (M) to control pollution at the plant or facility where the pollution is
9 produced by the manufacturing or processing operation.
- 10 (4) The following machinery, equipment and materials shall be
11 deemed to be exempt even though it may not otherwise qualify as ma-
12 chinery and equipment used as an integral or essential part of an inte-
13 grated production operation: (A) Computers and related peripheral
14 equipment that are utilized by a manufacturing or processing business
15 for engineering of the finished product or for research and development
16 or product design; (B) machinery and equipment that is utilized by a
17 manufacturing or processing business to manufacture or rebuild tangible
18 personal property that is used in manufacturing or processing operations,
19 including tools, dies, molds, forms and other parts of qualifying machinery
20 and equipment; (C) portable plants for aggregate concrete, bulk cement
21 and asphalt including cement mixing drums to be attached to a motor
22 vehicle; (D) industrial fixtures, devices, support facilities and special foun-
23 dations necessary for manufacturing and production operations, and ma-
24 terials and other tangible personal property sold for the purpose of fab-
25 ricating such fixtures, devices, facilities and foundations. An exemption
26 certificate for such purchases shall be signed by the manufacturer or
27 processor. If the fabricator purchases such material, the fabricator shall
28 also sign the exemption certificate; and (E) a manufacturing or processing
29 business' laboratory equipment that is not located at the plant or facility,
30 but that would otherwise qualify for exemption under subsection (3)(E).
- 31 (5) "Machinery and equipment used as an integral or essential part
32 of an integrated production operation" shall not include:
- 33 (A) Machinery and equipment used for nonproduction purposes, in-
34 cluding, but not limited to, machinery and equipment used for plant se-
35 curity, fire prevention, first aid, accounting, administration, record keep-
36 ing, advertising, marketing, sales or other related activities, plant cleaning,
37 plant communications, and employee work scheduling;
- 38 (B) machinery, equipment and tools used primarily in maintaining
39 and repairing any type of machinery and equipment or the building and
40 plant;
- 41 (C) transportation, transmission and distribution equipment not pri-
42 marily used in a production, warehousing or material handling operation
43 at the plant or facility, including the means of conveyance of natural gas,

- 1 electricity, oil or water, and equipment related thereto, located outside
2 the plant or facility;
- 3 (D) office machines and equipment including computers and related
4 peripheral equipment not used directly and primarily to control or mea-
5 sure the manufacturing process;
- 6 (E) furniture and other furnishings;
- 7 (F) buildings, other than exempt machinery and equipment that is
8 permanently affixed to or becomes a physical part of the building, and
9 any other part of real estate that is not otherwise exempt;
- 10 (G) building fixtures that are not integral to the manufacturing op-
11 eration, such as utility systems for heating, ventilation, air conditioning,
12 communications, plumbing or electrical;
- 13 (H) machinery and equipment used for general plant heating, cooling
14 and lighting;
- 15 (I) motor vehicles that are registered for operation on public high-
16 ways; or
- 17 (J) employee apparel, except safety and protective apparel that is pur-
18 chased by an employer and furnished gratuitously to employees who are
19 involved in production or research activities.
- 20 (6) Subsections (3) and (5) shall not be construed as exclusive listings
21 of the machinery and equipment that qualify or do not qualify as an
22 integral or essential part of an integrated production operation. When
23 machinery or equipment is used as an integral or essential part of pro-
24 duction operations part of the time and for nonproduction purpose at
25 other times, the primary use of the machinery or equipment shall deter-
26 mine whether or not such machinery or equipment qualifies for
27 exemption.
- 28 (7) The secretary of revenue shall adopt rules and regulations nec-
29 essary to administer the provisions of this subsection;
- 30 (ll) all sales of educational materials purchased for distribution to the
31 public at no charge by a nonprofit corporation organized for the purpose
32 of encouraging, fostering and conducting programs for the improvement
33 of public health;
- 34 (mm) all sales of seeds and tree seedlings; fertilizers, insecticides,
35 herbicides, germicides, pesticides and fungicides; and services, purchased
36 and used for the purpose of producing plants in order to prevent soil
37 erosion on land devoted to agricultural use;
- 38 (nn) except as otherwise provided in this act, all sales of services ren-
39 dered by an advertising agency or licensed broadcast station or any mem-
40 ber, agent or employee thereof;
- 41 (oo) all sales of tangible personal property purchased by a community
42 action group or agency for the exclusive purpose of repairing or weath-
43 erizing housing occupied by low income individuals;

- 1 (pp) all sales of drill bits and explosives actually utilized in the explo-
2 ration and production of oil or gas;
- 3 (qq) all sales of tangible personal property and services purchased by
4 a nonprofit museum or historical society or any combination thereof, in-
5 cluding a nonprofit organization which is organized for the purpose of
6 stimulating public interest in the exploration of space by providing edu-
7 cational information, exhibits and experiences, which is exempt from fed-
8 eral income taxation pursuant to section 501(c)(3) of the federal internal
9 revenue code of 1986;
- 10 (rr) all sales of tangible personal property which will admit the pur-
11 chaser thereof to any annual event sponsored by a nonprofit organization
12 which is exempt from federal income taxation pursuant to section
13 501(c)(3) of the federal internal revenue code of 1986;
- 14 (ss) all sales of tangible personal property and services purchased by
15 a public broadcasting station licensed by the federal communications
16 commission as a noncommercial educational television or radio station;
- 17 (tt) all sales of tangible personal property and services purchased by
18 or on behalf of a not-for-profit corporation which is exempt from federal
19 income taxation pursuant to section 501(c)(3) of the federal internal rev-
20 enue code of 1986, for the sole purpose of constructing a Kansas Korean
21 War memorial;
- 22 (uu) all sales of tangible personal property and services purchased by
23 or on behalf of any rural volunteer fire-fighting organization for use ex-
24 clusively in the performance of its duties and functions;
- 25 (vv) all sales of tangible personal property purchased by any of the
26 following organizations which are exempt from federal income taxation
27 pursuant to section 501 (c)(3) of the federal internal revenue code of
28 1986, for the following purposes, and all sales of any such property by or
29 on behalf of any such organization for any such purpose:
- 30 (1) The American Heart Association, Kansas Affiliate, Inc. for the
31 purposes of providing education, training, certification in emergency car-
32 diac care, research and other related services to reduce disability and
33 death from cardiovascular diseases and stroke;
- 34 (2) the Kansas Alliance for the Mentally Ill, Inc. for the purpose of
35 advocacy for persons with mental illness and to education, research and
36 support for their families;
- 37 (3) the Kansas Mental Illness Awareness Council for the purposes of
38 advocacy for persons who are mentally ill and to education, research and
39 support for them and their families;
- 40 (4) the American Diabetes Association Kansas Affiliate, Inc. for the
41 purpose of eliminating diabetes through medical research, public edu-
42 cation focusing on disease prevention and education, patient education
43 including information on coping with diabetes, and professional education

- 1 and training;
- 2 (5) the American Lung Association of Kansas, Inc. for the purpose of
- 3 eliminating all lung diseases through medical research, public education
- 4 including information on coping with lung diseases, professional educa-
- 5 tion and training related to lung disease and other related services to
- 6 reduce the incidence of disability and death due to lung disease;
- 7 (6) the Kansas chapters of the Alzheimer's Disease and Related Dis-
- 8 orders Association, Inc. for the purpose of providing assistance and sup-
- 9 port to persons in Kansas with Alzheimer's disease, and their families and
- 10 caregivers;
- 11 (7) the Kansas chapters of the Parkinson's disease association for the
- 12 purpose of eliminating Parkinson's disease through medical research and
- 13 public and professional education related to such disease;
- 14 (8) the National Kidney Foundation of Kansas and Western Missouri
- 15 for the purpose of eliminating kidney disease through medical research
- 16 and public and private education related to such disease;
- 17 (9) the heartstrings community foundation for the purpose of provid-
- 18 ing training, employment and activities for adults with developmental
- 19 disabilities;
- 20 (10) the Cystic Fibrosis Foundation, Heart of America Chapter, for
- 21 the purposes of assuring the development of the means to cure and con-
- 22 trol cystic fibrosis and improving the quality of life for those with the
- 23 disease;
- 24 (11) the spina bifida association of Kansas for the purpose of provid-
- 25 ing financial, educational and practical aid to families and individuals with
- 26 spina bifida. Such aid includes, but is not limited to, funding for medical
- 27 devices, counseling and medical educational opportunities;
- 28 (12) the CHWC, Inc., for the purpose of rebuilding urban core neigh-
- 29 borhoods through the construction of new homes, acquiring and reno-
- 30 vating existing homes and other related activities, and promoting eco-
- 31 nomic development in such neighborhoods;
- 32 (13) the cross-lines cooperative council for the purpose of providing
- 33 social services to low income individuals and families;
- 34 (14) the Dreams Work, Inc., for the purpose of providing young adult
- 35 day services to individuals with developmental disabilities and assisting
- 36 families in avoiding institutional or nursing home care for a developmen-
- 37 tally disabled member of their family;
- 38 (15) the KSDS, Inc., for the purpose of promoting the independence
- 39 and inclusion of people with disabilities as fully participating and contrib-
- 40 uting members of their communities and society through the training and
- 41 providing of guide and service dogs to people with disabilities, and pro-
- 42 viding disability education and awareness to the general public; and
- 43 (16) the lyme association of greater Kansas City, Inc., for the purpose

1 of providing support to persons with lyme disease and public education
2 relating to the prevention, treatment and cure of lyme disease;
3 (ww) all sales of tangible personal property purchased by the Habitat
4 for Humanity for the exclusive use of being incorporated within a housing
5 project constructed by such organization;
6 (xx) all sales of tangible personal property and services purchased by
7 a nonprofit zoo which is exempt from federal income taxation pursuant
8 to section 501(c)(3) of the federal internal revenue code of 1986, or on
9 behalf of such zoo by an entity itself exempt from federal income taxation
10 pursuant to section 501(c)(3) of the federal internal revenue code of 1986
11 contracted with to operate such zoo and all sales of tangible personal
12 property or services purchased by a contractor for the purpose of con-
13 structing, equipping, reconstructing, maintaining, repairing, enlarging,
14 furnishing or remodeling facilities for any nonprofit zoo which would be
15 exempt from taxation under the provisions of this section if purchased
16 directly by such nonprofit zoo or the entity operating such zoo. Nothing
17 in this subsection shall be deemed to exempt the purchase of any con-
18 struction machinery, equipment or tools used in the constructing, equip-
19 ping, reconstructing, maintaining, repairing, enlarging, furnishing or re-
20 modeling facilities for any nonprofit zoo. When any nonprofit zoo shall
21 contract for the purpose of constructing, equipping, reconstructing, main-
22 taining, repairing, enlarging, furnishing or remodeling facilities, it shall
23 obtain from the state and furnish to the contractor an exemption certifi-
24 cate for the project involved, and the contractor may purchase materials
25 for incorporation in such project. The contractor shall furnish the number
26 of such certificate to all suppliers from whom such purchases are made,
27 and such suppliers shall execute invoices covering the same bearing the
28 number of such certificate. Upon completion of the project the contractor
29 shall furnish to the nonprofit zoo concerned a sworn statement, on a form
30 to be provided by the director of taxation, that all purchases so made were
31 entitled to exemption under this subsection. All invoices shall be held by
32 the contractor for a period of five years and shall be subject to audit by
33 the director of taxation. If any materials purchased under such a certifi-
34 cate are found not to have been incorporated in the building or other
35 project or not to have been returned for credit or the sales or compen-
36 sating tax otherwise imposed upon such materials which will not be so
37 incorporated in the building or other project reported and paid by such
38 contractor to the director of taxation not later than the 20th day of the
39 month following the close of the month in which it shall be determined
40 that such materials will not be used for the purpose for which such cer-
41 tificate was issued, the nonprofit zoo concerned shall be liable for tax on
42 all materials purchased for the project, and upon payment thereof it may
43 recover the same from the contractor together with reasonable attorney

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

8 (yy) all sales of tangible personal property and services purchased by
9 a parent-teacher association or organization, and all sales of tangible per-
10 sonal property by or on behalf of such association or organization;

11 (zz) all sales of machinery and equipment purchased by over-the-air,
12 free access radio or television station which is used directly and primarily
13 for the purpose of producing a broadcast signal or is such that the failure
14 of the machinery or equipment to operate would cause broadcasting to
15 cease. For purposes of this subsection, machinery and equipment shall
16 include, but not be limited to, that required by rules and regulations of
17 the federal communications commission, and all sales of electricity which
18 are essential or necessary for the purpose of producing a broadcast signal
19 or is such that the failure of the electricity would cause broadcasting to
20 cease;

21 (aaa) all sales of tangible personal property and services purchased
22 by a religious organization which is exempt from federal income taxation
23 pursuant to section 501(c)(3) of the federal internal revenue code, and
24 used exclusively for religious purposes, and all sales of tangible personal
25 property or services purchased by a contractor for the purpose of con-
26 structing, equipping, reconstructing, maintaining, repairing, enlarging,
27 furnishing or remodeling facilities for any such organization which would
28 be exempt from taxation under the provisions of this section if purchased
29 directly by such organization. Nothing in this subsection shall be deemed
30 to exempt the purchase of any construction machinery, equipment or
31 tools used in the constructing, equipping, reconstructing, maintaining,
32 repairing, enlarging, furnishing or remodeling facilities for any such or-
33 ganization. When any such organization shall contract for the purpose of
34 constructing, equipping, reconstructing, maintaining, repairing, enlarg-
35 ing, furnishing or remodeling facilities, it shall obtain from the state and
36 furnish to the contractor an exemption certificate for the project involved,
37 and the contractor may purchase materials for incorporation in such pro-
38 ject. The contractor shall furnish the number of such certificate to all
39 suppliers from whom such purchases are made, and such suppliers shall
40 execute invoices covering the same bearing the number of such certifi-
41 cate. Upon completion of the project the contractor shall furnish to such
42 organization concerned a sworn statement, on a form to be provided by
43 the director of taxation, that all purchases so made were entitled to ex-

1 exemption under this subsection. All invoices shall be held by the contractor
2 for a period of five years and shall be subject to audit by the director of
3 taxation. If any materials purchased under such a certificate are found
4 not to have been incorporated in the building or other project or not to
5 have been returned for credit or the sales or compensating tax otherwise
6 imposed upon such materials which will not be so incorporated in the
7 building or other project reported and paid by such contractor to the
8 director of taxation not later than the 20th day of the month following
9 the close of the month in which it shall be determined that such materials
10 will not be used for the purpose for which such certificate was issued,
11 such organization concerned shall be liable for tax on all materials pur-
12 chased for the project, and upon payment thereof it may recover the same
13 from the contractor together with reasonable attorney fees. Any contrac-
14 tor or any agent, employee or subcontractor thereof, who shall use or
15 otherwise dispose of any materials purchased under such a certificate for
16 any purpose other than that for which such a certificate is issued without
17 the payment of the sales or compensating tax otherwise imposed upon
18 such materials, shall be guilty of a misdemeanor and, upon conviction
19 therefor, shall be subject to the penalties provided for in subsection (g)
20 of K.S.A. 79-3615, and amendments thereto. Sales tax paid on and after
21 July 1, 1998, but prior to the effective date of this act upon the gross
22 receipts received from any sale exempted by the amendatory provisions
23 of this subsection shall be refunded. Each claim for a sales tax refund
24 shall be verified and submitted to the director of taxation upon forms
25 furnished by the director and shall be accompanied by any additional
26 documentation required by the director. The director shall review each
27 claim and shall refund that amount of sales tax paid as determined under
28 the provisions of this subsection. All refunds shall be paid from the sales
29 tax refund fund upon warrants of the director of accounts and reports
30 pursuant to vouchers approved by the director or the director's designee;

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

37 (ccc) on and after July 1, 1999, all sales of tangible personal property
38 and services purchased by a primary care clinic or health center the pri-
39 mary purpose of which is to provide services to medically underserved
40 individuals and families, and which is exempt from federal income taxa-
41 tion pursuant to section 501 (c)(3) of the federal internal revenue code,
42 and all sales of tangible personal property or services purchased by a
43 contractor for the purpose of constructing, equipping, reconstructing,

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

39 (ddd) on and after January 1, 1999, and before January 1, 2000, all
40 sales of materials and services purchased by any class II or III railroad as
41 classified by the federal surface transportation board for the construction,
42 renovation, repair or replacement of class II or III railroad track and
43 facilities used directly in interstate commerce. In the event any such track

1 or facility for which materials and services were purchased sales tax ex-
2 empt is not operational for five years succeeding the allowance of such
3 exemption, the total amount of sales tax which would have been payable
4 except for the operation of this subsection shall be recouped in accord-
5 ance with rules and regulations adopted for such purpose by the secretary
6 of revenue;

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

11 (fff) all sales of material handling equipment, racking systems and
12 other related machinery and equipment that is used for the handling,
13 movement or storage of tangible personal property in a warehouse or
14 distribution facility in this state; all sales of installation, repair and main-
15 tenance services performed on such machinery and equipment; and all
16 sales of repair and replacement parts for such machinery and equipment.
17 For purposes of this subsection, a warehouse or distribution facility means
18 a single, fixed location that consists of buildings or structures in a contig-
19 uous area where storage or distribution operations are conducted that are
20 separate and apart from the business' retail operations, if any, and which
21 do not otherwise qualify for exemption as occurring at a manufacturing
22 or processing plant or facility. Material handling and storage equipment
23 shall include aeration, dust control, cleaning, handling and other such
24 equipment that is used in a public grain warehouse or other commercial
25 grain storage facility, whether used for grain handling, grain storage, grain
26 refining or processing, or other grain treatment operation;

27 (ggg) all sales of tangible personal property and services purchased
28 by or on behalf of the Kansas Academy of Science which is exempt from
29 federal income taxation pursuant to section 501(c)(3) of the federal in-
30 ternal revenue code of 1986, and used solely by such academy for the
31 preparation, publication and dissemination of education materials;

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

35 (iii) all sales of personal property and services purchased by an or-
36 ganization which is exempt from federal income taxation pursuant to sec-
37 tion 501(c)(3) of the federal internal revenue code of 1986, and which
38 such personal property and services are used by any such organization in
39 the collection, storage and distribution of food products to nonprofit or-
40 ganizations which distribute such food products to persons pursuant to a
41 food distribution program on a charitable basis without fee or charge, and
42 all sales of tangible personal property or services purchased by a contrac-
43 tor for the purpose of constructing, equipping, reconstructing, maintain-

1 ing, repairing, enlarging, furnishing or remodeling facilities used for the
2 collection and storage of such food products for any such organization
3 which is exempt from federal income taxation pursuant to section
4 501(c)(3) of the federal internal revenue code of 1986, which would be
5 exempt from taxation under the provisions of this section if purchased
6 directly by such organization. Nothing in this subsection shall be deemed
7 to exempt the purchase of any construction machinery, equipment or
8 tools used in the constructing, equipping, reconstructing, maintaining,
9 repairing, enlarging, furnishing or remodeling facilities for any such or-
10 ganization. When any such organization shall contract for the purpose of
11 constructing, equipping, reconstructing, maintaining, repairing, enlarg-
12 ing, furnishing or remodeling facilities, it shall obtain from the state and
13 furnish to the contractor an exemption certificate for the project involved,
14 and the contractor may purchase materials for incorporation in such pro-
15 ject. The contractor shall furnish the number of such certificate to all
16 suppliers from whom such purchases are made, and such suppliers shall
17 execute invoices covering the same bearing the number of such certifi-
18 cate. Upon completion of the project the contractor shall furnish to such
19 organization concerned a sworn statement, on a form to be provided by
20 the director of taxation, that all purchases so made were entitled to ex-
21 emption under this subsection. All invoices shall be held by the contractor
22 for a period of five years and shall be subject to audit by the director of
23 taxation. If any materials purchased under such a certificate are found
24 not to have been incorporated in such facilities or not to have been re-
25 turned for credit or the sales or compensating tax otherwise imposed upon
26 such materials which will not be so incorporated in such facilities reported
27 and paid by such contractor to the director of taxation not later than the
28 20th day of the month following the close of the month in which it shall
29 be determined that such materials will not be used for the purpose for
30 which such certificate was issued, such organization concerned shall be
31 liable for tax on all materials purchased for the project, and upon payment
32 thereof it may recover the same from the contractor together with rea-
33 sonable attorney fees. Any contractor or any agent, employee or subcon-
34 tractor thereof, who shall use or otherwise dispose of any materials pur-
35 chased under such a certificate for any purpose other than that for which
36 such a certificate is issued without the payment of the sales or compen-
37 sating tax otherwise imposed upon such materials, shall be guilty of a
38 misdemeanor and, upon conviction therefor, shall be subject to the pen-
39 alties provided for in subsection (g) of K.S.A. 79-3615, and amendments
40 thereto. Sales tax paid on and after July 1, 2005, but prior to the effective
41 date of this act upon the gross receipts received from any sale exempted
42 by the amendatory provisions of this subsection shall be refunded. Each
43 claim for a sales tax refund shall be verified and submitted to the director

1 of taxation upon forms furnished by the director and shall be accompanied
2 by any additional documentation required by the director. The director
3 shall review each claim and shall refund that amount of sales tax paid as
4 determined under the provisions of this subsection. All refunds shall be
5 paid from the sales tax refund fund upon warrants of the director of
6 accounts and reports pursuant to vouchers approved by the director or
7 the director's designee;

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

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

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

38 (nnn) all sales of tangible personal property and services purchased
39 by the West Sedgwick County-Sunrise Rotary Club and Sunrise Chari-
40 table Fund for the purpose of constructing a boundless playground which
41 is an integrated, barrier free and developmentally advantageous play en-
42 vironment for children of all abilities and disabilities;

43 (ooo) all sales of tangible personal property by or on behalf of a public

1 library serving the general public and supported in whole or in part with
2 tax money or a not-for-profit organization whose purpose is to raise funds
3 for or provide services or other benefits to any such public library;
4 (ppp) all sales of tangible personal property and services purchased
5 by or on behalf of a homeless shelter which is exempt from federal income
6 taxation pursuant to section 501(c)(3) of the federal income tax code of
7 1986, and used by any such homeless shelter to provide emergency and
8 transitional housing for individuals and families experiencing homeless-
9 ness, and all sales of any such property by or on behalf of any such home-
10 less shelter for any such purpose;
11 (qqq) all sales of tangible personal property and services purchased
12 by TLC for children and families, inc., hereinafter referred to as TLC,
13 which is exempt from federal income taxation pursuant to section
14 501(c)(3) of the federal internal revenue code of 1986, and which such
15 property and services are used for the purpose of providing emergency
16 shelter and treatment for abused and neglected children as well as meet-
17 ing additional critical needs for children, juveniles and family, and all sales
18 of any such property by or on behalf of TLC for any such purpose; and
19 all sales of tangible personal property or services purchased by a contrac-
20 tor for the purpose of constructing, maintaining, repairing, enlarging, fur-
21 nishing or remodeling facilities for the operation of services for TLC for
22 any such purpose which would be exempt from taxation under the pro-
23 visions of this section if purchased directly by TLC. Nothing in this sub-
24 section shall be deemed to exempt the purchase of any construction ma-
25 chinery, equipment or tools used in the constructing, maintaining,
26 repairing, enlarging, furnishing or remodeling such facilities for TLC.
27 When TLC contracts for the purpose of constructing, maintaining, re-
28 pairing, enlarging, furnishing or remodeling such facilities, it shall obtain
29 from the state and furnish to the contractor an exemption certificate for
30 the project involved, and the contractor may purchase materials for in-
31 corporation in such project. The contractor shall furnish the number of
32 such certificate to all suppliers from whom such purchases are made, and
33 such suppliers shall execute invoices covering the same bearing the num-
34 ber of such certificate. Upon completion of the project the contractor
35 shall furnish to TLC a sworn statement, on a form to be provided by the
36 director of taxation, that all purchases so made were entitled to exemption
37 under this subsection. All invoices shall be held by the contractor for a
38 period of five years and shall be subject to audit by the director of taxation.
39 If any materials purchased under such a certificate are found not to have
40 been incorporated in the building or other project or not to have been
41 returned for credit or the sales or compensating tax otherwise imposed
42 upon such materials which will not be so incorporated in the building or
43 other project reported and paid by such contractor to the director of

1 taxation not later than the 20th day of the month following the close of
2 the month in which it shall be determined that such materials will not be
3 used for the purpose for which such certificate was issued, TLC shall be
4 liable for tax on all materials purchased for the project, and upon payment
5 thereof it may recover the same from the contractor together with rea-
6 sonable attorney fees. Any contractor or any agent, employee or subcon-
7 tractor thereof, who shall use or otherwise dispose of any materials pur-
8 chased under such a certificate for any purpose other than that for which
9 such a certificate is issued without the payment of the sales or compen-
10 sating tax otherwise imposed upon such materials, shall be guilty of a
11 misdemeanor and, upon conviction therefor, shall be subject to the pen-
12 alties provided for in subsection (g) of K.S.A. 79-3615, and amendments
13 thereto;

14 (rrr) all sales of tangible personal property and services purchased by
15 any county law library maintained pursuant to law and sales of tangible
16 personal property and services purchased by an organization which would
17 have been exempt from taxation under the provisions of this subsection
18 if purchased directly by the county law library for the purpose of providing
19 legal resources to attorneys, judges, students and the general public, and
20 all sales of any such property by or on behalf of any such county law
21 library;

22 (sss) all sales of tangible personal property and services purchased by
23 catholic charities or youthville, hereinafter referred to as charitable family
24 providers, which is exempt from federal income taxation pursuant to sec-
25 tion 501(c)(3) of the federal internal revenue code of 1986, and which
26 such property and services are used for the purpose of providing emer-
27 gency shelter and treatment for abused and neglected children as well as
28 meeting additional critical needs for children, juveniles and family, and
29 all sales of any such property by or on behalf of charitable family providers
30 for any such purpose; and all sales of tangible personal property or serv-
31 ices purchased by a contractor for the purpose of constructing, maintain-
32 ing, repairing, enlarging, furnishing or remodeling facilities for the op-
33 eration of services for charitable family providers for any such purpose
34 which would be exempt from taxation under the provisions of this section
35 if purchased directly by charitable family providers. Nothing in this sub-
36 section shall be deemed to exempt the purchase of any construction ma-
37 chinery, equipment or tools used in the constructing, maintaining, re-
38 pairing, enlarging, furnishing or remodeling such facilities for charitable
39 family providers. When charitable family providers contracts for the pur-
40 pose of constructing, maintaining, repairing, enlarging, furnishing or re-
41 modeling such facilities, it shall obtain from the state and furnish to the
42 contractor an exemption certificate for the project involved, and the con-
43 tractor may purchase materials for incorporation in such project. The

1 contractor shall furnish the number of such certificate to all suppliers
2 from whom such purchases are made, and such suppliers shall execute
3 invoices covering the same bearing the number of such certificate. Upon
4 completion of the project the contractor shall furnish to charitable family
5 providers a sworn statement, on a form to be provided by the director of
6 taxation, that all purchases so made were entitled to exemption under
7 this subsection. All invoices shall be held by the contractor for a period
8 of five years and shall be subject to audit by the director of taxation. If
9 any materials purchased under such a certificate are found not to have
10 been incorporated in the building or other project or not to have been
11 returned for credit or the sales or compensating tax otherwise imposed
12 upon such materials which will not be so incorporated in the building or
13 other project reported and paid by such contractor to the director of
14 taxation not later than the 20th day of the month following the close of
15 the month in which it shall be determined that such materials will not be
16 used for the purpose for which such certificate was issued, charitable
17 family providers shall be liable for tax on all materials purchased for the
18 project, and upon payment thereof it may recover the same from the
19 contractor together with reasonable attorney fees. Any contractor or any
20 agent, employee or subcontractor thereof, who shall use or otherwise
21 dispose of any materials purchased under such a certificate for any pur-
22 pose other than that for which such a certificate is issued without the
23 payment of the sales or compensating tax otherwise imposed upon such
24 materials, shall be guilty of a misdemeanor and, upon conviction therefor,
25 shall be subject to the penalties provided for in subsection (g) of K.S.A.
26 79-3615, and amendments thereto;

27 (ttt) all sales of tangible personal property or services purchased by
28 a contractor for a project for the purpose of restoring, constructing, equip-
29 ping, reconstructing, maintaining, repairing, enlarging, furnishing or re-
30 modeling a home or facility owned by a nonprofit museum which has
31 been granted an exemption pursuant to subsection (qq), which such home
32 or facility is located in a city which has been designated as a qualified
33 hometown pursuant to the provisions of K.S.A. 75-5071, et seq., and
34 amendments thereto, and which such project is related to the purposes
35 of K.S.A. 75-5071, et seq., and amendments thereto, and which would
36 be exempt from taxation under the provisions of this section if purchased
37 directly by such nonprofit museum. Nothing in this subsection shall be
38 deemed to exempt the purchase of any construction machinery, equip-
39 ment or tools used in the restoring, constructing, equipping, reconstruct-
40 ing, maintaining, repairing, enlarging, furnishing or remodeling a home
41 or facility for any such nonprofit museum. When any such nonprofit mu-
42 seum shall contract for the purpose of restoring, constructing, equipping,
43 reconstructing, maintaining, repairing, enlarging, furnishing or remodel-

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

30 (uuu) all sales of tangible personal property and services purchased
31 by Kansas children's service league, hereinafter referred to as KCSL,
32 which is exempt from federal income taxation pursuant to section
33 501(c)(3) of the federal internal revenue code of 1986, and which such
34 property and services are used for the purpose of providing for the pre-
35 vention and treatment of child abuse and maltreatment as well as meeting
36 additional critical needs for children, juveniles and family, and all sales of
37 any such property by or on behalf of KCSL for any such purpose; and all
38 sales of tangible personal property or services purchased by a contractor
39 for the purpose of constructing, maintaining, repairing, enlarging, fur-
40 nishing or remodeling facilities for the operation of services for KCSL
41 for any such purpose which would be exempt from taxation under the
42 provisions of this section if purchased directly by KCSL. Nothing in this
43 subsection shall be deemed to exempt the purchase of any construction

1 machinery, equipment or tools used in the constructing, maintaining, re-
2 pairing, enlarging, furnishing or remodeling such facilities for KCSL.
3 When KCSL contracts for the purpose of constructing, maintaining, re-
4 pairing, enlarging, furnishing or remodeling such facilities, it shall obtain
5 from the state and furnish to the contractor an exemption certificate for
6 the project involved, and the contractor may purchase materials for in-
7 corporation in such project. The contractor shall furnish the number of
8 such certificate to all suppliers from whom such purchases are made, and
9 such suppliers shall execute invoices covering the same bearing the num-
10 ber of such certificate. Upon completion of the project the contractor
11 shall furnish to KCSL a sworn statement, on a form to be provided by
12 the director of taxation, that all purchases so made were entitled to ex-
13 emption under this subsection. All invoices shall be held by the contractor
14 for a period of five years and shall be subject to audit by the director of
15 taxation. If any materials purchased under such a certificate are found
16 not to have been incorporated in the building or other project or not to
17 have been returned for credit or the sales or compensating tax otherwise
18 imposed upon such materials which will not be so incorporated in the
19 building or other project reported and paid by such contractor to the
20 director of taxation not later than the 20th day of the month following
21 the close of the month in which it shall be determined that such materials
22 will not be used for the purpose for which such certificate was issued,
23 KCSL shall be liable for tax on all materials purchased for the project,
24 and upon payment thereof it may recover the same from the contractor
25 together with reasonable attorney fees. Any contractor or any agent, em-
26 ployee or subcontractor thereof, who shall use or otherwise dispose of
27 any materials purchased under such a certificate for any purpose other
28 than that for which such a certificate is issued without the payment of
29 the sales or compensating tax otherwise imposed upon such materials,
30 shall be guilty of a misdemeanor and, upon conviction therefor, shall be
31 subject to the penalties provided for in subsection (g) of K.S.A. 79-3615,
32 and amendments thereto.

33 Sec. ~~20~~ **21** K.S.A. 40-253a, 74-50,113, 74-50,116, 74-50,117, 74-
34 50,118, 74-50,119, 74-50,135, 74-50,135a, 74-8945, 79-32,155, 79-32,156,
35 79-32,157, 79-32,158, 79-32,159, 79-32,159a, 79-32,159b, 79-32,159c, 79-
36 32,160, 79-32,160b and 79-32,160c and K.S.A. 2006 Supp. 74-50,114, 74-
37 50,115, 74-50,131, 74-50,132, 74-50,133, 74-50,134, 79-3269, 79-32,111,
38 79-32,153, 79-32,154, 79-32,160a, 79-32,243 and 79-3606 are hereby
39 repealed.

40 Sec. ~~21~~ **22**. This act shall take effect and be in force from and after
41 its publication in the statute book.