

[As Amended by Senate Committee of the Whole]

As Amended by Senate Committee

Session of 2007

SENATE BILL No. 382

By Committee on Ways and Means

3-14

12 AN ACT concerning sales taxation; relating to exemptions; ~~state correc-~~
13 ~~tional institutions and privately constructed correctional institutions~~
14 ~~contracted for state use and ownership~~; amending K.S.A. 2006 Supp.
15 79-3606 and repealing the existing section.
16

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

18 Section 1. K.S.A. 2006 Supp. 79-3606 is hereby amended to read as
19 follows: 79-3606. The following shall be exempt from the tax imposed by
20 this act:

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

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

1 subdivision is engaged or proposes to engage in the business of furnishing
2 gas, electricity or heat to others and such items of personal property or
3 service are used or proposed to be used in such business;

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

13 (d) all sales of tangible personal property or services purchased by a
14 contractor for the purpose of constructing, equipping, reconstructing,
15 maintaining, repairing, enlarging, furnishing or remodeling facilities for
16 any public or private nonprofit hospital or public hospital authority, public
17 or private elementary or secondary school ~~or~~, a public or private nonprofit
18 educational institution, *state correctional institution including a privately*
19 ~~contracted~~ **constructed** *correctional institution contracted for state use*
20 *and ownership*, which would be exempt from taxation under the provi-
21 sions of this act if purchased directly by such hospital or public hospital
22 authority, school ~~or~~, educational institution *or a state correctional insti-*
23 *tution*; and all sales of tangible personal property or services purchased
24 by a contractor for the purpose of constructing, equipping, reconstruct-
25 ing, maintaining, repairing, enlarging, furnishing or remodeling facilities
26 for any political subdivision of the state or district described in subsection
27 (s), the total cost of which is paid from funds of such political subdivision
28 or district and which would be exempt from taxation under the provisions
29 of this act if purchased directly by such political subdivision or district.
30 Nothing in this subsection or in the provisions of K.S.A. 12-3418 and
31 amendments thereto, shall be deemed to exempt the purchase of any
32 construction machinery, equipment or tools used in the constructing,
33 equipping, reconstructing, maintaining, repairing, enlarging, furnishing
34 or remodeling facilities for any political subdivision of the state or any
35 such district. As used in this subsection, K.S.A. 12-3418 and 79-3640, and
36 amendments thereto, “funds of a political subdivision” shall mean general
37 tax revenues, the proceeds of any bonds and gifts or grants-in-aid. Gifts
38 shall not mean funds used for the purpose of constructing, equipping,
39 reconstructing, repairing, enlarging, furnishing or remodeling facilities
40 which are to be leased to the donor. When any political subdivision of
41 the state, district described in subsection (s), public or private nonprofit
42 hospital or public hospital authority, public or private elementary or sec-
43 ondary school ~~or~~, public or private nonprofit educational institution, *state*

1 *correctional institution including a privately constructed correctional in-*
2 *stitution contracted for state use and ownership* shall contract for the
3 purpose of constructing, equipping, reconstructing, maintaining, repair-
4 ing, enlarging, furnishing or remodeling facilities, it shall obtain from the
5 state and furnish to the contractor an exemption certificate for the project
6 involved, and the contractor may purchase materials for incorporation in
7 such project. The contractor shall furnish the number of such certificate
8 to all suppliers from whom such purchases are made, and such suppliers
9 shall execute invoices covering the same bearing the number of such
10 certificate. Upon completion of the project the contractor shall furnish to
11 the political subdivision, district described in subsection (s), hospital or
12 public hospital authority, school ~~or~~, educational institution *or department*
13 *of corrections in the case of a state correctional institution including a*
14 ~~*privately constructed correctional institution contracted for state use and*~~
15 ~~*ownership*~~ concerned a sworn statement, on a form to be provided by the
16 director of taxation, that all purchases so made were entitled to exemption
17 under this subsection. As an alternative to the foregoing procedure, any
18 such contracting entity may apply to the secretary of revenue for agent
19 status for the sole purpose of issuing and furnishing project exemption
20 certificates to contractors pursuant to rules and regulations adopted by
21 the secretary establishing conditions and standards for the granting and
22 maintaining of such status. All invoices shall be held by the contractor for
23 a period of five years and shall be subject to audit by the director of
24 taxation. If any materials purchased under such a certificate are found
25 not to have been incorporated in the building or other project or not to
26 have been returned for credit or the sales or compensating tax otherwise
27 imposed upon such materials which will not be so incorporated in the
28 building or other project reported and paid by such contractor to the
29 director of taxation not later than the 20th day of the month following
30 the close of the month in which it shall be determined that such materials
31 will not be used for the purpose for which such certificate was issued, the
32 political subdivision, district described in subsection (s), hospital or public
33 hospital authority, school ~~or~~, educational institution *or the privately con-*
34 ~~*structed correctional institution*~~ **contractor contracting with the de-**
35 **partment of corrections for a correctional institution** concerned shall
36 be liable for tax on all materials purchased for the project, and upon
37 payment thereof it may recover the same from the contractor together
38 with reasonable attorney fees. Any contractor or any agent, employee or
39 subcontractor thereof, who shall use or otherwise dispose of any materials
40 purchased under such a certificate for any purpose other than that for
41 which such a certificate is issued without the payment of the sales or
42 compensating tax otherwise imposed upon such materials, shall be guilty
43 of a misdemeanor and, upon conviction therefor, shall be subject to the

1 penalties provided for in subsection (g) of K.S.A. 79-3615, and amend-
2 ments thereto;

3 (e) all sales of tangible personal property or services purchased by a
4 contractor for the erection, repair or enlargement of buildings or other
5 projects for the government of the United States, its agencies or instru-
6 mentalities, which would be exempt from taxation if purchased directly
7 by the government of the United States, its agencies or instrumentalities.
8 When the government of the United States, its agencies or instrumen-
9 talities shall contract for the erection, repair, or enlargement of any build-
10 ing or other project, it shall obtain from the state and furnish to the
11 contractor an exemption certificate for the project involved, and the con-
12 tractor may purchase materials for incorporation in such project. The
13 contractor shall furnish the number of such certificates to all suppliers
14 from whom such purchases are made, and such suppliers shall execute
15 invoices covering the same bearing the number of such certificate. Upon
16 completion of the project the contractor shall furnish to the government
17 of the United States, its agencies or instrumentalities concerned a sworn
18 statement, on a form to be provided by the director of taxation, that all
19 purchases so made were entitled to exemption under this subsection. As
20 an alternative to the foregoing procedure, any such contracting entity may
21 apply to the secretary of revenue for agent status for the sole purpose of
22 issuing and furnishing project exemption certificates to contractors pur-
23 suant to rules and regulations adopted by the secretary establishing con-
24 ditions and standards for the granting and maintaining of such status. All
25 invoices shall be held by the contractor for a period of five years and shall
26 be subject to audit by the director of taxation. Any contractor or any agent,
27 employee or subcontractor thereof, who shall use or otherwise dispose of
28 any materials purchased under such a certificate for any purpose other
29 than that for which such a certificate is issued without the payment of
30 the sales or compensating tax otherwise imposed upon such materials,
31 shall be guilty of a misdemeanor and, upon conviction therefor, shall be
32 subject to the penalties provided for in subsection (g) of K.S.A. 79-3615
33 and amendments thereto;

34 (f) tangible personal property purchased by a railroad or public utility
35 for consumption or movement directly and immediately in interstate
36 commerce;

37 (g) sales of aircraft including remanufactured and modified aircraft
38 sold to persons using directly or through an authorized agent such aircraft
39 as certified or licensed carriers of persons or property in interstate or
40 foreign commerce under authority of the laws of the United States or any
41 foreign government or sold to any foreign government or agency or in-
42 strumentality of such foreign government and all sales of aircraft for use
43 outside of the United States and sales of aircraft repair, modification and

- 1 replacement parts and sales of services employed in the remanufacture,
2 modification and repair of aircraft;
- 3 (h) all rentals of nonsectarian textbooks by public or private elemen-
4 tary or secondary schools;
- 5 (i) the lease or rental of all films, records, tapes, or any type of sound
6 or picture transcriptions used by motion picture exhibitors;
- 7 (j) meals served without charge or food used in the preparation of
8 such meals to employees of any restaurant, eating house, dining car, hotel,
9 drugstore or other place where meals or drinks are regularly sold to the
10 public if such employees' duties are related to the furnishing or sale of
11 such meals or drinks;
- 12 (k) any motor vehicle, semitrailer or pole trailer, as such terms are
13 defined by K.S.A. 8-126 and amendments thereto, or aircraft sold and
14 delivered in this state to a bona fide resident of another state, which motor
15 vehicle, semitrailer, pole trailer or aircraft is not to be registered or based
16 in this state and which vehicle, semitrailer, pole trailer or aircraft will not
17 remain in this state more than 10 days;
- 18 (l) all isolated or occasional sales of tangible personal property, serv-
19 ices, substances or things, except isolated or occasional sale of motor
20 vehicles specifically taxed under the provisions of subsection (o) of K.S.A.
21 79-3603 and amendments thereto;
- 22 (m) all sales of tangible personal property which become an ingre-
23 dient or component part of tangible personal property or services pro-
24 duced, manufactured or compounded for ultimate sale at retail within or
25 without the state of Kansas; and any such producer, manufacturer or
26 compounder may obtain from the director of taxation and furnish to the
27 supplier an exemption certificate number for tangible personal property
28 for use as an ingredient or component part of the property or services
29 produced, manufactured or compounded;
- 30 (n) all sales of tangible personal property which is consumed in the
31 production, manufacture, processing, mining, drilling, refining or com-
32 pounding of tangible personal property, the treating of by-products or
33 wastes derived from any such production process, the providing of serv-
34 ices or the irrigation of crops for ultimate sale at retail within or without
35 the state of Kansas; and any purchaser of such property may obtain from
36 the director of taxation and furnish to the supplier an exemption certifi-
37 cate number for tangible personal property for consumption in such pro-
38 duction, manufacture, processing, mining, drilling, refining, compound-
39 ing, treating, irrigation and in providing such services;
- 40 (o) all sales of animals, fowl and aquatic plants and animals, the pri-
41 mary purpose of which is use in agriculture or aquaculture, as defined in
42 K.S.A. 47-1901, and amendments thereto, the production of food for
43 human consumption, the production of animal, dairy, poultry or aquatic

1 plant and animal products, fiber or fur, or the production of offspring for
2 use for any such purpose or purposes;

3 (p) all sales of drugs dispensed pursuant to a prescription order by a
4 licensed practitioner or a mid-level practitioner as defined by K.S.A. 65-
5 1626, and amendments thereto. As used in this subsection, “drug” means
6 a compound, substance or preparation and any component of a com-
7 pound, substance or preparation, other than food and food ingredients,
8 dietary supplements or alcoholic beverages, recognized in the official
9 United States pharmacopoeia, official homeopathic pharmacopoeia of the
10 United States or official national formulary, and supplement to any of
11 them, intended for use in the diagnosis, cure, mitigation, treatment or
12 prevention of disease or intended to affect the structure or any function
13 of the body;

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

17 (r) all sales of prosthetic devices and mobility enhancing equipment
18 prescribed in writing by a person licensed to practice the healing arts,
19 dentistry or optometry, and in addition to such sales, all sales of hearing
20 aids, as defined by subsection (c) of K.S.A. 74-5807, and amendments
21 thereto, and repair and replacement parts therefor, including batteries,
22 by a person licensed in the practice of dispensing and fitting hearing aids
23 pursuant to the provisions of K.S.A. 74-5808, and amendments thereto.
24 For the purposes of this subsection: (1) “Mobility enhancing equipment”
25 means equipment including repair and replacement parts to same, but
26 does not include durable medical equipment, which is primarily and cus-
27 tomarily used to provide or increase the ability to move from one place
28 to another and which is appropriate for use either in a home or a motor
29 vehicle; is not generally used by persons with normal mobility; and does
30 not include any motor vehicle or equipment on a motor vehicle normally
31 provided by a motor vehicle manufacturer; and (2) “prosthetic device”
32 means a replacement, corrective or supportive device including repair
33 and replacement parts for same worn on or in the body to artificially
34 replace a missing portion of the body, prevent or correct physical defor-
35 mity or malfunction or support a weak or deformed portion of the body;

36 (s) except as provided in K.S.A. 2006 Supp. 82a-2101, and amend-
37 ments thereto, all sales of tangible personal property or services pur-
38 chased directly or indirectly by a groundwater management district or-
39 ganized or operating under the authority of K.S.A. 82a-1020 et seq. and
40 amendments thereto, by a rural water district organized or operating un-
41 der the authority of K.S.A. 82a-612, and amendments thereto, or by a
42 water supply district organized or operating under the authority of K.S.A.
43 19-3501 et seq., 19-3522 et seq. or 19-3545, and amendments thereto,

1 which property or services are used in the construction activities, operation
2 tion or maintenance of the district;

3 (t) all sales of farm machinery and equipment or aquaculture ma-
4 chinery and equipment, repair and replacement parts therefor and serv-
5 ices performed in the repair and maintenance of such machinery and
6 equipment. For the purposes of this subsection the term “farm machinery
7 and equipment or aquaculture machinery and equipment” shall include
8 a work-site utility vehicle, as defined in K.S.A. 8-126, and amendments
9 thereto, and is equipped with a bed or cargo box for hauling materials,
10 and shall also include machinery and equipment used in the operation of
11 Christmas tree farming but shall not include any passenger vehicle, truck,
12 truck tractor, trailer, semitrailer or pole trailer, other than a farm trailer,
13 as such terms are defined by K.S.A. 8-126 and amendments thereto. Each
14 purchaser of farm machinery and equipment or aquaculture machinery
15 and equipment exempted herein must certify in writing on the copy of
16 the invoice or sales ticket to be retained by the seller that the farm ma-
17 chinery and equipment or aquaculture machinery and equipment pur-
18 chased will be used only in farming, ranching or aquaculture production.
19 Farming or ranching shall include the operation of a feedlot and farm
20 and ranch work for hire and the operation of a nursery;

21 (u) all leases or rentals of tangible personal property used as a dwell-
22 ing if such tangible personal property is leased or rented for a period of
23 more than 28 consecutive days;

24 (v) all sales of tangible personal property to any contractor for use in
25 preparing meals for delivery to homebound elderly persons over 60 years
26 of age and to homebound disabled persons or to be served at a group-
27 sitting at a location outside of the home to otherwise homebound elderly
28 persons over 60 years of age and to otherwise homebound disabled per-
29 sons, as all or part of any food service project funded in whole or in part
30 by government or as part of a private nonprofit food service project avail-
31 able to all such elderly or disabled persons residing within an area of
32 service designated by the private nonprofit organization, and all sales of
33 tangible personal property for use in preparing meals for consumption by
34 indigent or homeless individuals whether or not such meals are consumed
35 at a place designated for such purpose, and all sales of food products by
36 or on behalf of any such contractor or organization for any such purpose;

37 (w) all sales of natural gas, electricity, heat and water delivered
38 through mains, lines or pipes: (1) To residential premises for noncom-
39 mercial use by the occupant of such premises; (2) for agricultural use and
40 also, for such use, all sales of propane gas; (3) for use in the severing of
41 oil; and (4) to any property which is exempt from property taxation pur-
42 suant to K.S.A. 79-201b *Second* through *Sixth*. As used in this paragraph,
43 “severing” shall have the meaning ascribed thereto by subsection (k) of

1 K.S.A. 79-4216, and amendments thereto. For all sales of natural gas,
2 electricity and heat delivered through mains, lines or pipes pursuant to
3 the provisions of subsection (w)(1) and (w)(2), the provisions of this sub-
4 section shall expire on December 31, 2005;

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

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

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

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

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

26 (cc) all sales of tangible personal property or services purchased for
27 the purpose of and in conjunction with constructing, reconstructing, en-
28 larging or remodeling a business or retail business which meets the
29 requirements established in K.S.A. 74-50,115 and amendments thereto,
30 and the sale and installation of machinery and equipment purchased for
31 installation at any such business or retail business. When a person shall
32 contract for the construction, reconstruction, enlargement or remodeling
33 of any such business or retail business, such person shall obtain from the
34 state and furnish to the contractor an exemption certificate for the project
35 involved, and the contractor may purchase materials, machinery and
36 equipment for incorporation in such project. The contractor shall furnish
37 the number of such certificates to all suppliers from whom such purchases
38 are made, and such suppliers shall execute invoices covering the same
39 bearing the number of such certificate. Upon completion of the project
40 the contractor shall furnish to the owner of the business or retail business
41 a sworn statement, on a form to be provided by the director of taxation,
42 that all purchases so made were entitled to exemption under this subsec-
43 tion. All invoices shall be held by the contractor for a period of five years

1 and shall be subject to audit by the director of taxation. Any contractor
2 or any agent, employee or subcontractor thereof, who shall use or oth-
3 erwise dispose of any materials, machinery or equipment purchased un-
4 der such a certificate for any purpose other than that for which such a
5 certificate is issued without the payment of the sales or compensating tax
6 otherwise imposed thereon, shall be guilty of a misdemeanor and, upon
7 conviction therefor, shall be subject to the penalties provided for in sub-
8 section (g) of K.S.A. 79-3615 and amendments thereto. As used in this
9 subsection, “business” and “retail business” have the meanings respec-
10 tively ascribed thereto by K.S.A. 74-50,114 and amendments thereto;

11 (dd) all sales of tangible personal property purchased with food
12 stamps issued by the United States department of agriculture;

13 (ee) all sales of lottery tickets and shares made as part of a lottery
14 operated by the state of Kansas;

15 (ff) on and after July 1, 1988, all sales of new mobile homes or man-
16 ufactured homes to the extent of 40% of the gross receipts, determined
17 without regard to any trade-in allowance, received from such sale. As used
18 in this subsection, “mobile homes” and “manufactured homes” shall have
19 the meanings ascribed thereto by K.S.A. 58-4202 and amendments
20 thereto;

21 (gg) all sales of tangible personal property purchased in accordance
22 with vouchers issued pursuant to the federal special supplemental food
23 program for women, infants and children;

24 (hh) all sales of medical supplies and equipment, including durable
25 medical equipment, purchased directly by a nonprofit skilled nursing
26 home or nonprofit intermediate nursing care home, as defined by K.S.A.
27 39-923, and amendments thereto, for the purpose of providing medical
28 services to residents thereof. This exemption shall not apply to tangible
29 personal property customarily used for human habitation purposes. As
30 used in this subsection, “durable medical equipment” means equipment
31 including repair and replacement parts for such equipment, but does not
32 include mobility enhancing equipment as defined in subsection (r) which
33 can withstand repeated use, is primarily and customarily used to serve a
34 medical purpose, generally is not useful to a person in the absence of
35 illness or injury and is not worn in or on the body;

36 (ii) all sales of tangible personal property purchased directly by a non-
37 profit organization for nonsectarian comprehensive multidiscipline youth
38 development programs and activities provided or sponsored by such or-
39 ganization, and all sales of tangible personal property by or on behalf of
40 any such organization. This exemption shall not apply to tangible personal
41 property customarily used for human habitation purposes;

42 (jj) all sales of tangible personal property or services, including the
43 renting and leasing of tangible personal property, purchased directly on

1 behalf of a community-based mental retardation facility or mental health
2 center organized pursuant to K.S.A. 19-4001 et seq., and amendments
3 thereto, and licensed in accordance with the provisions of K.S.A. 75-
4 3307b and amendments thereto and all sales of tangible personal property
5 or services purchased by contractors during the time period from July,
6 2003, through June, 2006, for the purpose of constructing, equipping,
7 maintaining or furnishing a new facility for a community-based mental
8 retardation facility or mental health center located in Riverton, Cherokee
9 County, Kansas, which would have been eligible for sales tax exemption
10 pursuant to this subsection if purchased directly by such facility or center.
11 This exemption shall not apply to tangible personal property customarily
12 used for human habitation purposes;

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

16 (B) all sales of installation, repair and maintenance services per-
17 formed on such machinery and equipment; and

18 (C) all sales of repair and replacement parts and accessories pur-
19 chased for such machinery and equipment.

20 (2) For purposes of this subsection:

21 (A) “Integrated production operation” means an integrated series of
22 operations engaged in at a manufacturing or processing plant or facility
23 to process, transform or convert tangible personal property by physical,
24 chemical or other means into a different form, composition or character
25 from that in which it originally existed. Integrated production operations
26 shall include: (i) Production line operations, including packaging opera-
27 tions; (ii) preproduction operations to handle, store and treat raw mate-
28 rials; (iii) post production handling, storage, warehousing and distribution
29 operations; and (iv) waste, pollution and environmental control opera-
30 tions, if any;

31 (B) “production line” means the assemblage of machinery and equip-
32 ment at a manufacturing or processing plant or facility where the actual
33 transformation or processing of tangible personal property occurs;

34 (C) “manufacturing or processing plant or facility” means a single,
35 fixed location owned or controlled by a manufacturing or processing busi-
36 ness that consists of one or more structures or buildings in a contiguous
37 area where integrated production operations are conducted to manufac-
38 ture or process tangible personal property to be ultimately sold at retail.
39 Such term shall not include any facility primarily operated for the purpose
40 of conveying or assisting in the conveyance of natural gas, electricity, oil
41 or water. A business may operate one or more manufacturing or proc-
42 essing plants or facilities at different locations to manufacture or process
43 a single product of tangible personal property to be ultimately sold at

1 retail;

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

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

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

- 1 (3) For purposes of this subsection, machinery and equipment shall
2 be deemed to be used as an integral or essential part of an integrated
3 production operation when used:
- 4 (A) To receive, transport, convey, handle, treat or store raw materials
5 in preparation of its placement on the production line;
 - 6 (B) to transport, convey, handle or store the property undergoing
7 manufacturing or processing at any point from the beginning of the pro-
8 duction line through any warehousing or distribution operation of the
9 final product that occurs at the plant or facility;
 - 10 (C) to act upon, effect, promote or otherwise facilitate a physical
11 change to the property undergoing manufacturing or processing;
 - 12 (D) to guide, control or direct the movement of property undergoing
13 manufacturing or processing;
 - 14 (E) to test or measure raw materials, the property undergoing man-
15 ufacturing or processing or the finished product, as a necessary part of
16 the manufacturer's integrated production operations;
 - 17 (F) to plan, manage, control or record the receipt and flow of inven-
18 tories of raw materials, consumables and component parts, the flow of
19 the property undergoing manufacturing or processing and the manage-
20 ment of inventories of the finished product;
 - 21 (G) to produce energy for, lubricate, control the operating of or oth-
22 erwise enable the functioning of other production machinery and equip-
23 ment and the continuation of production operations;
 - 24 (H) to package the property being manufactured or processed in a
25 container or wrapping in which such property is normally sold or
26 transported;
 - 27 (I) to transmit or transport electricity, coke, gas, water, steam or sim-
28 ilar substances used in production operations from the point of genera-
29 tion, if produced by the manufacturer or processor at the plant site, to
30 that manufacturer's production operation; or, if purchased or delivered
31 from offsite, from the point where the substance enters the site of the
32 plant or facility to that manufacturer's production operations;
 - 33 (J) to cool, heat, filter, refine or otherwise treat water, steam, acid,
34 oil, solvents or other substances that are used in production operations;
 - 35 (K) to provide and control an environment required to maintain cer-
36 tain levels of air quality, humidity or temperature in special and limited
37 areas of the plant or facility, where such regulation of temperature or
38 humidity is part of and essential to the production process;
 - 39 (L) to treat, transport or store waste or other byproducts of produc-
40 tion operations at the plant or facility; or
 - 41 (M) to control pollution at the plant or facility where the pollution is
42 produced by the manufacturing or processing operation.
- 43 (4) The following machinery, equipment and materials shall be

1 deemed to be exempt even though it may not otherwise qualify as ma-
2 chinery and equipment used as an integral or essential part of an inte-
3 grated production operation: (A) Computers and related peripheral
4 equipment that are utilized by a manufacturing or processing business
5 for engineering of the finished product or for research and development
6 or product design; (B) machinery and equipment that is utilized by a
7 manufacturing or processing business to manufacture or rebuild tangible
8 personal property that is used in manufacturing or processing operations,
9 including tools, dies, molds, forms and other parts of qualifying machinery
10 and equipment; (C) portable plants for aggregate concrete, bulk cement
11 and asphalt including cement mixing drums to be attached to a motor
12 vehicle; (D) industrial fixtures, devices, support facilities and special foun-
13 dations necessary for manufacturing and production operations, and ma-
14 terials and other tangible personal property sold for the purpose of fab-
15 ricating such fixtures, devices, facilities and foundations. An exemption
16 certificate for such purchases shall be signed by the manufacturer or
17 processor. If the fabricator purchases such material, the fabricator shall
18 also sign the exemption certificate; and (E) a manufacturing or processing
19 business' laboratory equipment that is not located at the plant or facility,
20 but that would otherwise qualify for exemption under subsection (3)(E).

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

23 (A) Machinery and equipment used for nonproduction purposes, in-
24 cluding, but not limited to, machinery and equipment used for plant se-
25 curity, fire prevention, first aid, accounting, administration, record keep-
26 ing, advertising, marketing, sales or other related activities, plant cleaning,
27 plant communications, and employee work scheduling;

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

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

36 (D) office machines and equipment including computers and related
37 peripheral equipment not used directly and primarily to control or mea-
38 sure the manufacturing process;

39 (E) furniture and other furnishings;

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

43 (G) building fixtures that are not integral to the manufacturing op-

- 1 eration, such as utility systems for heating, ventilation, air conditioning,
2 communications, plumbing or electrical;
- 3 (H) machinery and equipment used for general plant heating, cooling
4 and lighting;
- 5 (I) motor vehicles that are registered for operation on public high-
6 ways; or
- 7 (J) employee apparel, except safety and protective apparel that is pur-
8 chased by an employer and furnished gratuitously to employees who are
9 involved in production or research activities.
- 10 (6) Subsections (3) and (5) shall not be construed as exclusive listings
11 of the machinery and equipment that qualify or do not qualify as an
12 integral or essential part of an integrated production operation. When
13 machinery or equipment is used as an integral or essential part of pro-
14 duction operations part of the time and for nonproduction purpose at
15 other times, the primary use of the machinery or equipment shall deter-
16 mine whether or not such machinery or equipment qualifies for
17 exemption.
- 18 (7) The secretary of revenue shall adopt rules and regulations nec-
19 essary to administer the provisions of this subsection;
- 20 (ll) all sales of educational materials purchased for distribution to the
21 public at no charge by a nonprofit corporation organized for the purpose
22 of encouraging, fostering and conducting programs for the improvement
23 of public health;
- 24 (mm) all sales of seeds and tree seedlings; fertilizers, insecticides,
25 herbicides, germicides, pesticides and fungicides; and services, purchased
26 and used for the purpose of producing plants in order to prevent soil
27 erosion on land devoted to agricultural use;
- 28 (nn) except as otherwise provided in this act, all sales of services ren-
29 dered by an advertising agency or licensed broadcast station or any mem-
30 ber, agent or employee thereof;
- 31 (oo) all sales of tangible personal property purchased by a community
32 action group or agency for the exclusive purpose of repairing or weath-
33 erizing housing occupied by low income individuals;
- 34 (pp) all sales of drill bits and explosives actually utilized in the explo-
35 ration and production of oil or gas;
- 36 (qq) all sales of tangible personal property and services purchased by
37 a nonprofit museum or historical society or any combination thereof, in-
38 cluding a nonprofit organization which is organized for the purpose of
39 stimulating public interest in the exploration of space by providing edu-
40 cational information, exhibits and experiences, which is exempt from fed-
41 eral income taxation pursuant to section 501(c)(3) of the federal internal
42 revenue code of 1986;
- 43 (rr) all sales of tangible personal property which will admit the pur-

- 1 chaser thereof to any annual event sponsored by a nonprofit organization
2 which is exempt from federal income taxation pursuant to section
3 501(c)(3) of the federal internal revenue code of 1986;
- 4 (ss) all sales of tangible personal property and services purchased by
5 a public broadcasting station licensed by the federal communications
6 commission as a noncommercial educational television or radio station;
- 7 (tt) all sales of tangible personal property and services purchased by
8 or on behalf of a not-for-profit corporation which is exempt from federal
9 income taxation pursuant to section 501(c)(3) of the federal internal rev-
10 enue code of 1986, for the sole purpose of constructing a Kansas Korean
11 War memorial;
- 12 (uu) all sales of tangible personal property and services purchased by
13 or on behalf of any rural volunteer fire-fighting organization for use ex-
14 clusively in the performance of its duties and functions;
- 15 (vv) all sales of tangible personal property purchased by any of the
16 following organizations which are exempt from federal income taxation
17 pursuant to section 501 (c)(3) of the federal internal revenue code of
18 1986, for the following purposes, and all sales of any such property by or
19 on behalf of any such organization for any such purpose:
- 20 (1) The American Heart Association, Kansas Affiliate, Inc. for the
21 purposes of providing education, training, certification in emergency car-
22 diac care, research and other related services to reduce disability and
23 death from cardiovascular diseases and stroke;
- 24 (2) the Kansas Alliance for the Mentally Ill, Inc. for the purpose of
25 advocacy for persons with mental illness and to education, research and
26 support for their families;
- 27 (3) the Kansas Mental Illness Awareness Council for the purposes of
28 advocacy for persons who are mentally ill and to education, research and
29 support for them and their families;
- 30 (4) the American Diabetes Association Kansas Affiliate, Inc. for the
31 purpose of eliminating diabetes through medical research, public edu-
32 cation focusing on disease prevention and education, patient education
33 including information on coping with diabetes, and professional education
34 and training;
- 35 (5) the American Lung Association of Kansas, Inc. for the purpose of
36 eliminating all lung diseases through medical research, public education
37 including information on coping with lung diseases, professional educa-
38 tion and training related to lung disease and other related services to
39 reduce the incidence of disability and death due to lung disease;
- 40 (6) the Kansas chapters of the Alzheimer's Disease and Related Dis-
41 orders Association, Inc. for the purpose of providing assistance and sup-
42 port to persons in Kansas with Alzheimer's disease, and their families and
43 caregivers;

- 1 (7) the Kansas chapters of the Parkinson's disease association for the
2 purpose of eliminating Parkinson's disease through medical research and
3 public and professional education related to such disease;
- 4 (8) the National Kidney Foundation of Kansas and Western Missouri
5 for the purpose of eliminating kidney disease through medical research
6 and public and private education related to such disease;
- 7 (9) the heartstrings community foundation for the purpose of provid-
8 ing training, employment and activities for adults with developmental
9 disabilities;
- 10 (10) the Cystic Fibrosis Foundation, Heart of America Chapter, for
11 the purposes of assuring the development of the means to cure and con-
12 trol cystic fibrosis and improving the quality of life for those with the
13 disease;
- 14 (11) the spina bifida association of Kansas for the purpose of provid-
15 ing financial, educational and practical aid to families and individuals with
16 spina bifida. Such aid includes, but is not limited to, funding for medical
17 devices, counseling and medical educational opportunities;
- 18 (12) the CHWC, Inc., for the purpose of rebuilding urban core neigh-
19 borhoods through the construction of new homes, acquiring and reno-
20 vating existing homes and other related activities, and promoting eco-
21 nomic development in such neighborhoods;
- 22 (13) the cross-lines cooperative council for the purpose of providing
23 social services to low income individuals and families;
- 24 (14) the Dreams Work, Inc., for the purpose of providing young adult
25 day services to individuals with developmental disabilities and assisting
26 families in avoiding institutional or nursing home care for a developmen-
27 tally disabled member of their family;
- 28 (15) the KSDS, Inc., for the purpose of promoting the independence
29 and inclusion of people with disabilities as fully participating and contrib-
30 uting members of their communities and society through the training and
31 providing of guide and service dogs to people with disabilities, and provid-
32 ing disability education and awareness to the general public; ~~and~~
- 33 (16) the lyme association of greater Kansas City, Inc., for the purpose
34 of providing support to persons with lyme disease and public education
35 relating to the prevention, treatment and cure of lyme disease;
- 36 **(17) the Dream Factory, Inc., for the purpose of granting the**
37 **dreams of children with critical and chronic illnesses;**
- 38 **(18) the Ottawa Suzuki Strings, Inc., for the purpose of provid-**
39 **ing students and families with education and resources necessary**
40 **to enable each child to develop fine character and musical ability**
41 **to the fullest potential;**
- 42 **(19) the International Association of Lions Clubs for the pur-**
43 **pose of creating and fostering a spirit of understanding among all**

1 *people for humanitarian needs by providing voluntary services*
2 *through community involvement and international cooperation;*

3 *(20) the Johnson county young matrons, inc., for the purpose of*
4 *promoting a positive future for members of the community through*
5 *volunteerism, financial support and education through the efforts*
6 *of an all volunteer organization;*

7 *(21) the American Cancer Society, Inc., for the purpose of elim-*
8 *inating cancer as a major health problem by preventing cancer,*
9 *saving lives and diminishing suffering from cancer, through re-*
10 *search, education, advocacy and service; ~~and~~*

11 *(22) the community center of shawnee, inc., for the purpose of*
12 *providing food and clothing to those in need; [and]*

13 *[(23) the angel babies association, for the purpose of providing*
14 *assistance, support and items of necessity to teenage mothers and*
15 *their babies;]*

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

19 (xx) all sales of tangible personal property and services purchased by
20 a nonprofit zoo which is exempt from federal income taxation pursuant
21 to section 501(c)(3) of the federal internal revenue code of 1986, or on
22 behalf of such zoo by an entity itself exempt from federal income taxation
23 pursuant to section 501(c)(3) of the federal internal revenue code of 1986
24 contracted with to operate such zoo 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 nonprofit zoo which would be
28 exempt from taxation under the provisions of this section if purchased
29 directly by such nonprofit zoo or the entity operating such zoo. Nothing
30 in this subsection shall be deemed to exempt the purchase of any con-
31 struction machinery, equipment or tools used in the constructing, equip-
32 ping, reconstructing, maintaining, repairing, enlarging, furnishing or re-
33 modeling facilities for any nonprofit zoo. When any nonprofit zoo shall
34 contract for the purpose of constructing, equipping, reconstructing, main-
35 taining, repairing, enlarging, furnishing or remodeling facilities, it shall
36 obtain from the state and furnish to the contractor an exemption certifi-
37 cate for the project involved, and the contractor may purchase materials
38 for incorporation in such project. The contractor shall furnish the number
39 of such certificate to all suppliers from whom such purchases are made,
40 and such suppliers shall execute invoices covering the same bearing the
41 number of such certificate. Upon completion of the project the contractor
42 shall furnish to the nonprofit zoo concerned a sworn statement, on a form
43 to be provided by the director of taxation, that all purchases so made were

1 entitled to exemption under this subsection. All invoices shall be held by
2 the contractor for a period of five years and shall be subject to audit by
3 the director of taxation. If any materials purchased under such a certifi-
4 cate are found not to have been incorporated in the building or other
5 project or not to have been returned for credit or the sales or compen-
6 sating tax otherwise imposed upon such materials which will not be so
7 incorporated in the building or other project reported and paid by such
8 contractor to the director of taxation not later than the 20th day of the
9 month following the close of the month in which it shall be determined
10 that such materials will not be used for the purpose for which such cer-
11 tificate was issued, the nonprofit zoo concerned shall be liable for tax on
12 all materials purchased for the project, and upon payment thereof it may
13 recover the same from the contractor together with reasonable attorney
14 fees. Any contractor or any agent, employee or subcontractor thereof,
15 who shall use or otherwise dispose of any materials purchased under such
16 a certificate for any purpose other than that for which such a certificate
17 is issued without the payment of the sales or compensating tax otherwise
18 imposed upon such materials, shall be guilty of a misdemeanor and, upon
19 conviction therefor, shall be subject to the penalties provided for in sub-
20 section (g) of K.S.A. 79-3615, and amendments thereto;

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

24 (zz) all sales of machinery and equipment purchased by over-the-air,
25 free access radio or television station which is used directly and primarily
26 for the purpose of producing a broadcast signal or is such that the failure
27 of the machinery or equipment to operate would cause broadcasting to
28 cease. For purposes of this subsection, machinery and equipment shall
29 include, but not be limited to, that required by rules and regulations of
30 the federal communications commission, and all sales of electricity which
31 are essential or necessary for the purpose of producing a broadcast signal
32 or is such that the failure of the electricity would cause broadcasting to
33 cease;

34 (aaa) all sales of tangible personal property and services purchased
35 by a religious organization which is exempt from federal income taxation
36 pursuant to section 501(c)(3) of the federal internal revenue code, and
37 used exclusively for religious purposes, and all sales of tangible personal
38 property or services purchased by a contractor for the purpose of con-
39 structing, equipping, reconstructing, maintaining, repairing, enlarging,
40 furnishing or remodeling facilities for any such organization which would
41 be exempt from taxation under the provisions of this section if purchased
42 directly by such organization. Nothing in this subsection shall be deemed
43 to exempt the purchase of any construction machinery, equipment or

1 tools used in the constructing, equipping, reconstructing, maintaining,
2 repairing, enlarging, furnishing or remodeling facilities for any such or-
3 ganization. When any such organization shall contract for the purpose of
4 constructing, equipping, reconstructing, maintaining, repairing, enlarg-
5 ing, furnishing or remodeling facilities, it shall obtain from the state and
6 furnish to the contractor an exemption certificate for the project involved,
7 and the contractor may purchase materials for incorporation in such pro-
8 ject. The contractor shall furnish the number of such certificate to all
9 suppliers from whom such purchases are made, and such suppliers shall
10 execute invoices covering the same bearing the number of such certifi-
11 cate. Upon completion of the project the contractor shall furnish to such
12 organization concerned a sworn statement, on a form to be provided by
13 the director of taxation, that all purchases so made were entitled to ex-
14 emption under this subsection. All invoices shall be held by the contractor
15 for a period of five years and shall be subject to audit by the director of
16 taxation. If any materials purchased under such a certificate are found
17 not to have been incorporated in the building or other project or not to
18 have been returned for credit or the sales or compensating tax otherwise
19 imposed upon such materials which will not be so incorporated in the
20 building or other project reported and paid by such contractor to the
21 director of taxation not later than the 20th day of the month following
22 the close of the month in which it shall be determined that such materials
23 will not be used for the purpose for which such certificate was issued,
24 such organization concerned shall be liable for tax on all materials pur-
25 chased for the project, and upon payment thereof it may recover the same
26 from the contractor together with reasonable attorney fees. Any contrac-
27 tor or any agent, employee or subcontractor thereof, who shall use or
28 otherwise dispose of any materials purchased under such a certificate for
29 any purpose other than that for which such a certificate is issued without
30 the payment of the sales or compensating tax otherwise imposed upon
31 such materials, shall be guilty of a misdemeanor and, upon conviction
32 therefor, shall be subject to the penalties provided for in subsection (g)
33 of K.S.A. 79-3615, and amendments thereto. Sales tax paid on and after
34 July 1, 1998, but prior to the effective date of this act upon the gross
35 receipts received from any sale exempted by the amendatory provisions
36 of this subsection shall be refunded. Each claim for a sales tax refund
37 shall be verified and submitted to the director of taxation upon forms
38 furnished by the director and shall be accompanied by any additional
39 documentation required by the director. The director shall review each
40 claim and shall refund that amount of sales tax paid as determined under
41 the provisions of this subsection. All refunds shall be paid from the sales
42 tax refund fund upon warrants of the director of accounts and reports
43 pursuant to vouchers approved by the director or the director's designee;

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

7 (ccc) on and after July 1, 1999, all sales of tangible personal property
8 and services purchased by a primary care clinic or health center the pri-
9 mary purpose of which is to provide services to medically underserved
10 individuals and families, and which is exempt from federal income taxa-
11 tion pursuant to section 501 (c)(3) of the federal internal revenue code,
12 and all sales of tangible personal property or services purchased by a
13 contractor for the purpose of constructing, equipping, reconstructing,
14 maintaining, repairing, enlarging, furnishing or remodeling facilities for
15 any such clinic or center which would be exempt from taxation under the
16 provisions of this section if purchased directly by such clinic or center.
17 Nothing in this subsection shall be deemed to exempt the purchase of
18 any construction machinery, equipment or tools used in the constructing,
19 equipping, reconstructing, maintaining, repairing, enlarging, furnishing
20 or remodeling facilities for any such clinic or center. When any such clinic
21 or center shall contract for the purpose of constructing, equipping, re-
22 constructing, maintaining, repairing, enlarging, furnishing or remodeling
23 facilities, it shall obtain from the state and furnish to the contractor an
24 exemption certificate for the project involved, and the contractor may
25 purchase materials for incorporation in such project. The contractor shall
26 furnish the number of such certificate to all suppliers from whom such
27 purchases are made, and such suppliers shall execute invoices covering
28 the same bearing the number of such certificate. Upon completion of the
29 project the contractor shall furnish to such clinic or center concerned a
30 sworn statement, on a form to be provided by the director of taxation,
31 that all purchases so made were entitled to exemption under this subsec-
32 tion. All invoices shall be held by the contractor for a period of five years
33 and shall be subject to audit by the director of taxation. If any materials
34 purchased under such a certificate are found not to have been incorpo-
35 rated in the building or other project or not to have been returned for
36 credit or the sales or compensating tax otherwise imposed upon such
37 materials which will not be so incorporated in the building or other pro-
38 ject reported and paid by such contractor to the director of taxation not
39 later than the 20th day of the month following the close of the month in
40 which it shall be determined that such materials will not be used for the
41 purpose for which such certificate was issued, such clinic or center con-
42 cerned shall be liable for tax on all materials purchased for the project,
43 and upon payment thereof it may recover the same from the contractor

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

9 (ddd) on and after January 1, 1999, and before January 1, 2000, all
10 sales of materials and services purchased by any class II or III railroad as
11 classified by the federal surface transportation board for the construction,
12 renovation, repair or replacement of class II or III railroad track and
13 facilities used directly in interstate commerce. In the event any such track
14 or facility for which materials and services were purchased sales tax ex-
15 empt is not operational for five years succeeding the allowance of such
16 exemption, the total amount of sales tax which would have been payable
17 except for the operation of this subsection shall be recouped in accord-
18 ance with rules and regulations adopted for such purpose by the secretary
19 of revenue;

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

24 (fff) all sales of material handling equipment, racking systems and
25 other related machinery and equipment that is used for the handling,
26 movement or storage of tangible personal property in a warehouse or
27 distribution facility in this state; all sales of installation, repair and main-
28 tenance services performed on such machinery and equipment; and all
29 sales of repair and replacement parts for such machinery and equipment.
30 For purposes of this subsection, a warehouse or distribution facility means
31 a single, fixed location that consists of buildings or structures in a contig-
32 uous area where storage or distribution operations are conducted that are
33 separate and apart from the business' retail operations, if any, and which
34 do not otherwise qualify for exemption as occurring at a manufacturing
35 or processing plant or facility. Material handling and storage equipment
36 shall include aeration, dust control, cleaning, handling and other such
37 equipment that is used in a public grain warehouse or other commercial
38 grain storage facility, whether used for grain handling, grain storage, grain
39 refining or processing, or other grain treatment operation;

40 (ggg) all sales of tangible personal property and services purchased
41 by or on behalf of the Kansas Academy of Science which is exempt from
42 federal income taxation pursuant to section 501(c)(3) of the federal in-
43 ternal revenue code of 1986, and used solely by such academy for the

1 preparation, publication and dissemination of education materials;
2 (hhh) all sales of tangible personal property and services purchased
3 by or on behalf of all domestic violence shelters that are member agencies
4 of the Kansas coalition against sexual and domestic violence;
5 (iii) all sales of personal property and services purchased by an or-
6 ganization which is exempt from federal income taxation pursuant to sec-
7 tion 501(c)(3) of the federal internal revenue code of 1986, and which
8 such personal property and services are used by any such organization in
9 the collection, storage and distribution of food products to nonprofit or-
10 ganizations which distribute such food products to persons pursuant to a
11 food distribution program on a charitable basis without fee or charge, and
12 all sales of tangible personal property or services purchased by a contrac-
13 tor for the purpose of constructing, equipping, reconstructing, maintain-
14 ing, repairing, enlarging, furnishing or remodeling facilities used for the
15 collection and storage of such food products for any such organization
16 which is exempt from federal income taxation pursuant to section
17 501(c)(3) of the federal internal revenue code of 1986, which would be
18 exempt from taxation under the provisions of this section if purchased
19 directly by such organization. Nothing in this subsection shall be deemed
20 to exempt the purchase of any construction machinery, equipment or
21 tools used in the constructing, equipping, reconstructing, maintaining,
22 repairing, enlarging, furnishing or remodeling facilities for any such or-
23 ganization. When any such organization shall contract for the purpose of
24 constructing, equipping, reconstructing, maintaining, repairing, enlarg-
25 ing, furnishing or remodeling facilities, it shall obtain from the state and
26 furnish to the contractor an exemption certificate for the project involved,
27 and the contractor may purchase materials for incorporation in such pro-
28 ject. The contractor shall furnish the number of such certificate to all
29 suppliers from whom such purchases are made, and such suppliers shall
30 execute invoices covering the same bearing the number of such certifi-
31 cate. Upon completion of the project the contractor shall furnish to such
32 organization concerned a sworn statement, on a form to be provided by
33 the director of taxation, that all purchases so made were entitled to ex-
34 emption under this subsection. All invoices shall be held by the contractor
35 for a period of five years and shall be subject to audit by the director of
36 taxation. If any materials purchased under such a certificate are found
37 not to have been incorporated in such facilities or not to have been re-
38 turned for credit or the sales or compensating tax otherwise imposed upon
39 such materials which will not be so incorporated in such facilities reported
40 and paid by such contractor to the director of taxation not later than the
41 20th day of the month following the close of the month in which it shall
42 be determined that such materials will not be used for the purpose for
43 which such certificate was issued, such organization concerned shall be

1 liable for tax on all materials purchased for the project, and upon payment
2 thereof it may recover the same from the contractor together with rea-
3 sonable attorney fees. Any contractor or any agent, employee or subcon-
4 tractor thereof, who shall use or otherwise dispose of any materials pur-
5 chased under such a certificate for any purpose other than that for which
6 such a certificate is issued without the payment of the sales or compen-
7 sating tax otherwise imposed upon such materials, shall be guilty of a
8 misdemeanor and, upon conviction therefor, shall be subject to the pen-
9 alties provided for in subsection (g) of K.S.A. 79-3615, and amendments
10 thereto. Sales tax paid on and after July 1, 2005, but prior to the effective
11 date of this act upon the gross receipts received from any sale exempted
12 by the amendatory provisions of this subsection shall be refunded. Each
13 claim for a sales tax refund shall be verified and submitted to the director
14 of taxation upon forms furnished by the director and shall be accompanied
15 by any additional documentation required by the director. The director
16 shall review each claim and shall refund that amount of sales tax paid as
17 determined under the provisions of this subsection. All refunds shall be
18 paid from the sales tax refund fund upon warrants of the director of
19 accounts and reports pursuant to vouchers approved by the director or
20 the director's designee;

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

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

1 sonal property by or on behalf of any such organization;

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

8 (nnn) all sales of tangible personal property and services purchased
9 by the West Sedgwick County-Sunrise Rotary Club and Sunrise Char-
10 itable Fund for the purpose of constructing a boundless playground which
11 is an integrated, barrier free and developmentally advantageous play en-
12 vironment for children of all abilities and disabilities;

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

17 (ppp) all sales of tangible personal property and services purchased
18 by or on behalf of a homeless shelter which is exempt from federal income
19 taxation pursuant to section 501(c)(3) of the federal income tax code of
20 1986, and used by any such homeless shelter to provide emergency and
21 transitional housing for individuals and families experiencing homeles-
22 ness, and all sales of any such property by or on behalf of any such home-
23 less shelter for any such purpose;

24 (qqq) all sales of tangible personal property and services purchased
25 by TLC for children and families, inc., hereinafter referred to as TLC,
26 which is exempt from federal income taxation pursuant to section
27 501(c)(3) of the federal internal revenue code of 1986, and which such
28 property and services are used for the purpose of providing emergency
29 shelter and treatment for abused and neglected children as well as meet-
30 ing additional critical needs for children, juveniles and family, and all sales
31 of any such property by or on behalf of TLC for any such purpose; and
32 all sales of tangible personal property or services purchased by a contrac-
33 tor for the purpose of constructing, maintaining, repairing, enlarging, fur-
34 nishing or remodeling facilities for the operation of services for TLC for
35 any such purpose which would be exempt from taxation under the pro-
36 visions of this section if purchased directly by TLC. Nothing in this sub-
37 section shall be deemed to exempt the purchase of any construction ma-
38 chinery, equipment or tools used in the constructing, maintaining,
39 repairing, enlarging, furnishing or remodeling such facilities for TLC.
40 When TLC contracts for the purpose of constructing, maintaining, re-
41 pairing, enlarging, furnishing or remodeling such facilities, it shall obtain
42 from the state and furnish to the contractor an exemption certificate for
43 the project involved, and the contractor may purchase materials for in-

1 corporation in such project. The contractor shall furnish the number of
2 such certificate to all suppliers from whom such purchases are made, and
3 such suppliers shall execute invoices covering the same bearing the num-
4 ber of such certificate. Upon completion of the project the contractor
5 shall furnish to TLC a sworn statement, on a form to be provided by the
6 director of taxation, that all purchases so made were entitled to exemption
7 under this subsection. All invoices shall be held by the contractor for a
8 period of five years and shall be subject to audit by the director of taxation.
9 If 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, TLC shall be
17 liable for tax on all materials purchased for the project, and upon payment
18 thereof it may recover the same from the contractor together with rea-
19 sonable attorney fees. Any contractor or any agent, employee or subcon-
20 tractor thereof, who shall use or otherwise dispose of any materials pur-
21 chased under such a certificate for any purpose other than that for which
22 such a certificate is issued without the payment of the sales or compen-
23 sating tax otherwise imposed upon such materials, shall be guilty of a
24 misdemeanor and, upon conviction therefor, shall be subject to the pen-
25 alties provided for in subsection (g) of K.S.A. 79-3615, and amendments
26 thereto;

27 (rrr) all sales of tangible personal property and services purchased by
28 any county law library maintained pursuant to law and sales of tangible
29 personal property and services purchased by an organization which would
30 have been exempt from taxation under the provisions of this subsection
31 if purchased directly by the county law library for the purpose of providing
32 legal resources to attorneys, judges, students and the general public, and
33 all sales of any such property by or on behalf of any such county law
34 library;

35 (sss) all sales of tangible personal property and services purchased by
36 catholic charities or youthville, hereinafter referred to as charitable family
37 providers, which is exempt from federal income taxation pursuant to sec-
38 tion 501(c)(3) of the federal internal revenue code of 1986, and which
39 such property and services are used for the purpose of providing emer-
40 gency shelter and treatment for abused and neglected children as well as
41 meeting additional critical needs for children, juveniles and family, and
42 all sales of any such property by or on behalf of charitable family providers
43 for any such purpose; and all sales of tangible personal property or serv-

1 ices purchased by a contractor for the purpose of constructing, maintain-
2 ing, repairing, enlarging, furnishing or remodeling facilities for the op-
3 eration of services for charitable family providers for any such purpose
4 which would be exempt from taxation under the provisions of this section
5 if purchased directly by charitable family providers. Nothing in this sub-
6 section shall be deemed to exempt the purchase of any construction ma-
7 chinery, equipment or tools used in the constructing, maintaining, re-
8 pairing, enlarging, furnishing or remodeling such facilities for charitable
9 family providers. When charitable family providers contracts for the pur-
10 pose of constructing, maintaining, repairing, enlarging, furnishing or re-
11 modeling such facilities, it shall obtain from the state and furnish to the
12 contractor an exemption certificate for the project involved, and the con-
13 tractor may purchase materials for incorporation in such project. The
14 contractor shall furnish the number of such certificate to all suppliers
15 from whom such purchases are made, and such suppliers shall execute
16 invoices covering the same bearing the number of such certificate. Upon
17 completion of the project the contractor shall furnish to charitable family
18 providers a sworn statement, on a form to be provided by the director of
19 taxation, that all purchases so made were entitled to exemption under
20 this subsection. All invoices shall be held by the contractor for a period
21 of five years and shall be subject to audit by the director of taxation. If
22 any materials purchased under such a certificate are found not to have
23 been incorporated in the building or other project or not to have been
24 returned for credit or the sales or compensating tax otherwise imposed
25 upon such materials which will not be so incorporated in the building or
26 other project reported and paid by such contractor to the director of
27 taxation not later than the 20th day of the month following the close of
28 the month in which it shall be determined that such materials will not be
29 used for the purpose for which such certificate was issued, charitable
30 family providers shall be liable for tax on all materials purchased for the
31 project, and upon payment thereof it may recover the same from the
32 contractor together with reasonable attorney fees. Any contractor or any
33 agent, employee or subcontractor thereof, who shall use or otherwise
34 dispose of any materials purchased under such a certificate for any pur-
35 pose other than that for which such a certificate is issued without the
36 payment of the sales or compensating tax otherwise imposed upon such
37 materials, shall be guilty of a misdemeanor and, upon conviction therefor,
38 shall be subject to the penalties provided for in subsection (g) of K.S.A.
39 79-3615, and amendments thereto;

40 (ttt) all sales of tangible personal property or services purchased by
41 a contractor for a project for the purpose of restoring, constructing, equip-
42 ping, reconstructing, maintaining, repairing, enlarging, furnishing or re-
43 modeling a home or facility owned by a nonprofit museum which has

1 been granted an exemption pursuant to subsection (qq), which such home
2 or facility is located in a city which has been designated as a qualified
3 hometown pursuant to the provisions of K.S.A. 75-5071, et seq., and
4 amendments thereto, and which such project is related to the purposes
5 of K.S.A. 75-5071, et seq., and amendments thereto, and which would
6 be exempt from taxation under the provisions of this section if purchased
7 directly by such nonprofit museum. Nothing in this subsection shall be
8 deemed to exempt the purchase of any construction machinery, equip-
9 ment or tools used in the restoring, constructing, equipping, reconstruct-
10 ing, maintaining, repairing, enlarging, furnishing or remodeling a home
11 or facility for any such nonprofit museum. When any such nonprofit mu-
12 seum shall contract for the purpose of restoring, constructing, equipping,
13 reconstructing, maintaining, repairing, enlarging, furnishing or remodel-
14 ing a home or facility, it shall obtain from the state and furnish to the
15 contractor an exemption certificate for the project involved, and the con-
16 tractor may purchase materials for incorporation in such project. The
17 contractor shall furnish the number of such certificates to all suppliers
18 from whom such purchases are made, and such suppliers shall execute
19 invoices covering the same bearing the number of such certificate. Upon
20 completion of the project, the contractor shall furnish to such nonprofit
21 museum a sworn statement on a form to be provided by the director of
22 taxation that all purchases so made were entitled to exemption under this
23 subsection. All invoices shall be held by the contractor for a period of five
24 years and shall be subject to audit by the director of taxation. If any
25 materials purchased under such a certificate are found not to have been
26 incorporated in the building or other project or not to have been returned
27 for credit or the sales or compensating tax otherwise imposed upon such
28 materials which will not be so incorporated in a home or facility or other
29 project reported and paid by such contractor to the director of taxation
30 not later than the 20th day of the month following the close of the month
31 in which it shall be determined that such materials will not be used for
32 the purpose for which such certificate was issued, such nonprofit museum
33 shall be liable for tax on all materials purchased for the project, and upon
34 payment thereof it may recover the same from the contractor together
35 with reasonable attorney fees. Any contractor or any agent, employee or
36 subcontractor thereof, who shall use or otherwise dispose of any materials
37 purchased under such a certificate for any purpose other than that for
38 which such a certificate is issued without the payment of the sales or
39 compensating tax otherwise imposed upon such materials, shall be guilty
40 of a misdemeanor and, upon conviction therefor, shall be subject to the
41 penalties provided for in subsection (g) of K.S.A. 79-3615, and amend-
42 ments thereto; ~~and~~
43 (uuu) all sales of tangible personal property and services purchased

1 by Kansas children's service league, hereinafter referred to as KCSL,
2 which is exempt from federal income taxation pursuant to section
3 501(c)(3) of the federal internal revenue code of 1986, and which such
4 property and services are used for the purpose of providing for the pre-
5 vention and treatment of child abuse and maltreatment as well as meeting
6 additional critical needs for children, juveniles and family, and all sales of
7 any such property by or on behalf of KCSL for any such purpose; and all
8 sales of tangible personal property or services purchased by a contractor
9 for the purpose of constructing, maintaining, repairing, enlarging, fur-
10 nishing or remodeling facilities for the operation of services for KCSL
11 for any such purpose which would be exempt from taxation under the
12 provisions of this section if purchased directly by KCSL. Nothing in this
13 subsection shall be deemed to exempt the purchase of any construction
14 machinery, equipment or tools used in the constructing, maintaining, re-
15 pairing, enlarging, furnishing or remodeling such facilities for KCSL.
16 When KCSL contracts for the purpose of constructing, maintaining, re-
17 pairing, enlarging, furnishing or remodeling such facilities, it shall obtain
18 from the state and furnish to the contractor an exemption certificate for
19 the project involved, and the contractor may purchase materials for in-
20 corporation in such project. The contractor shall furnish the number of
21 such certificate to all suppliers from whom such purchases are made, and
22 such suppliers shall execute invoices covering the same bearing the num-
23 ber of such certificate. Upon completion of the project the contractor
24 shall furnish to KCSL a sworn statement, on a form to be provided by
25 the director of taxation, that all purchases so made were entitled to ex-
26 emption under this subsection. All invoices shall be held by the contractor
27 for a period of five years and shall be subject to audit by the director of
28 taxation. If any materials purchased under such a certificate are found
29 not to have been incorporated in the building or other project or not to
30 have been returned for credit or the sales or compensating tax otherwise
31 imposed upon such materials which will not be so incorporated in the
32 building or other project reported and paid by such contractor to the
33 director of taxation not later than the 20th day of the month following
34 the close of the month in which it shall be determined that such materials
35 will not be used for the purpose for which such certificate was issued,
36 KCSL shall be liable for tax on all materials purchased for the project,
37 and upon payment thereof it may recover the same from the contractor
38 together with reasonable attorney fees. Any contractor or any agent, em-
39 ployee or subcontractor thereof, who shall use or otherwise dispose of
40 any materials purchased under such a certificate for any purpose other
41 than that for which such a certificate is issued without the payment of
42 the sales or compensating tax otherwise imposed upon such materials,
43 shall be guilty of a misdemeanor and, upon conviction therefor, shall be

1 subject to the penalties provided for in subsection (g) of K.S.A. 79-3615,
2 and amendments thereto;

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

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

17 *(xxx) all sales of personal property and services purchased by*
18 *the booth theatre foundation, inc., an organization which is exempt*
19 *from federal income taxation pursuant to section 501(c)(3) of the*
20 *federal internal revenue code of 1986, and which such personal*
21 *property and services are used by any such organization in the con-*
22 *structing, equipping, reconstructing, maintaining, repairing, en-*
23 *larging, furnishing or remodeling of the booth theatre, and all sales*
24 *of tangible personal property or services purchased by a contractor*
25 *for the purpose of constructing, equipping, reconstructing, main-*
26 *taining, repairing, enlarging, furnishing or remodeling the booth*
27 *theatre for such organization, which would be exempt from taxation*
28 *under the provisions of this section if purchased directly by such*
29 *organization. Nothing in this subsection shall be deemed to exempt*
30 *the purchase of any construction machinery, equipment or tools*
31 *used in the constructing, equipping, reconstructing, maintaining,*
32 *repairing, enlarging, furnishing or remodeling facilities for any*
33 *such organization. When any such organization shall contract for*
34 *the purpose of constructing, equipping, reconstructing, maintain-*
35 *ing, repairing, enlarging, furnishing or remodeling facilities, it shall*
36 *obtain from the state and furnish to the contractor an exemption*
37 *certificate for the project involved, and the contractor may pur-*
38 *chase materials for incorporation in such project. The contractor*
39 *shall furnish the number of such certificate to all suppliers from*
40 *whom such purchases are made, and such suppliers shall execute*
41 *invoices covering the same bearing the number of such certificate.*
42 *Upon completion of the project the contractor shall furnish to such*
43 *organization concerned a sworn statement, on a form to be provided*

1 *by the director of taxation, that all purchases so made were entitled*
2 *to exemption under this subsection. All invoices shall be held by the*
3 *contractor for a period of five years and shall be subject to audit*
4 *by the director of taxation. If any materials purchased under such*
5 *a certificate are found not to have been incorporated in such facil-*
6 *ities or not to have been returned for credit or the sales or compen-*
7 *sating tax otherwise imposed upon such materials which will not be*
8 *so incorporated in such facilities reported and paid by such con-*
9 *tractor to the director of taxation not later than the 20th day of the*
10 *month following the close of the month in which it shall be deter-*
11 *mined that such materials will not be used for the purpose for which*
12 *such certificate was issued, such organization concerned shall be*
13 *liable for tax on all materials purchased for the project, and upon*
14 *payment thereof it may recover the same from the contractor to-*
15 *gether with reasonable attorney fees. Any contractor or any agent,*
16 *employee or subcontractor thereof, who shall use or otherwise dis-*
17 *pose of any materials purchased under such a certificate for any*
18 *purpose other than that for which such a certificate is issued with-*
19 *out the payment of the sales or compensating tax otherwise imposed*
20 *upon such materials, shall be guilty of a misdemeanor and, upon*
21 *conviction therefor, shall be subject to the penalties provided for in*
22 *subsection (g) of K.S.A. 79-3615, and amendments thereto. Sales tax*
23 *paid on and after January 1, 2007, but prior to the effective date of*
24 *this act upon the gross receipts received from any sale which would*
25 *have been exempted by the provisions of this subsection had such*
26 *sale occurred after the effective date of this act shall be refunded.*
27 *Each claim for a sales tax refund shall be verified and submitted to*
28 *the director of taxation upon forms furnished by the director and*
29 *shall be accompanied by any additional documentation required by*
30 *the director. The director shall review each claim and shall refund*
31 *that amount of sales tax paid as determined under the provisions of*
32 *this subsection. All refunds shall be paid from the sales tax refund*
33 *fund upon warrants of the director of accounts and reports pursuant*
34 *to vouchers approved by the director or the director's designee;*
35 *(yyy) all sales of tangible personal property and services pur-*
36 *chased by TLC charities foundation, inc., hereinafter referred to as*
37 *TLC charities, which is exempt from federal income taxation pur-*
38 *suant to section 501(c)(3) of the federal internal revenue code of*
39 *1986, and which such property and services are used for the pur-*
40 *pose of encouraging private philanthropy to further the vision, val-*
41 *ues, and goals of TLC for children and families, inc.; and all sales*
42 *of such property and services by or on behalf of TLC charities for*
43 *any such purpose and all sales of tangible personal property or*

1 *services purchased by a contractor for the purpose of constructing,*
2 *maintaining, repairing, enlarging, furnishing or remodeling facili-*
3 *ties for the operation of services for TLC charities for any such*
4 *purpose which would be exempt from taxation under the provisions*
5 *of this section if purchased directly by TLC charities. Nothing in*
6 *this subsection shall be deemed to exempt the purchase of any con-*
7 *struction machinery, equipment or tools used in the constructing,*
8 *maintaining, repairing, enlarging, furnishing or remodeling such*
9 *facilities for TLC charities. When TLC charities contracts for the*
10 *purpose of constructing, maintaining, repairing, enlarging, furnish-*
11 *ing or remodeling such facilities, it shall obtain from the state and*
12 *furnish to the contractor an exemption certificate for the project*
13 *involved, and the contractor may purchase materials for incorpo-*
14 *ration in such project. The contractor shall furnish the number of*
15 *such certificate to all suppliers from whom such purchases are*
16 *made, and such suppliers shall execute invoices covering the same*
17 *bearing the number of such certificate. Upon completion of the pro-*
18 *ject the contractor shall furnish to TLC charities a sworn statement,*
19 *on a form to be provided by the director of taxation, that all pur-*
20 *chases so made were entitled to exemption under this subsection.*
21 *All invoices shall be held by the contractor for a period of five years*
22 *and shall be subject to audit by the director of taxation. If any*
23 *materials purchased under such a certificate are found not to have*
24 *been incorporated in the building or other project or not to have*
25 *been returned for credit or the sales or compensating tax otherwise*
26 *imposed upon such materials which will not be incorporated into*
27 *the building or other project reported and paid by such contractor*
28 *to the director of taxation not later than the 20th day of the month*
29 *following the close of the month in which it shall be determined that*
30 *such materials will not be used for the purpose for which such cer-*
31 *tificate was issued, TLC charities shall be liable for tax on all ma-*
32 *terials purchased for the project, and upon payment thereof it may*
33 *recover the same from the contractor together with reasonable at-*
34 *torney fees. Any contractor or any agent, employee or subcontract-*
35 *or thereof, who shall use or otherwise dispose of any materials*
36 *purchased under such a certificate for any purpose other than that*
37 *for which such a certificate is issued without the payment of the*
38 *sales or compensating tax otherwise imposed upon such materials,*
39 *shall be guilty of a misdemeanor and, upon conviction therefor,*
40 *shall be subject to the penalties provided for in subsection (g) of*
41 *K.S.A. 79-3615, and amendments thereto; and*
42 *(zzz) all sales of tangible personal property purchased by the*
43 *rotary club of shawnee foundation which is exempt from federal*

1 *income taxation pursuant to section 501 (c)(3) of the federal inter-*
2 *nal revenue code of 1986, as amended, used for the purpose of pro-*
3 *viding contributions to community service organizations and schol-*
4 *arships]; and*

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

12 Sec. 2. K.S.A. 2006 Supp. 79-3606 is hereby repealed.

13 Sec. 3. This act shall take effect and be in force from and after its
14 publication in the ~~statute book~~ **Kansas register**.