

HOUSE BILL No. 2086

By Committee on Taxation

1-22

1 AN ACT concerning sales taxation; relating to exemptions; defining
2 machinery and equipment used as an integral or essential part of an
3 integrated production operation; amending K.S.A. 2014 Supp. 79-3606
4 and repealing the existing section.
5

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

7 Section 1. K.S.A. 2014 Supp. 79-3606 is hereby amended to read as
8 follows: 79-3606. The following shall be exempt from the tax imposed by
9 this act:

10 (a) All sales of motor-vehicle fuel or other articles upon which a sales
11 or excise tax has been paid, not subject to refund, under the laws of this
12 state except cigarettes as defined by K.S.A. 79-3301, and amendments
13 thereto, cereal malt beverages and malt products as defined by K.S.A. 79-
14 3817, and amendments thereto, including wort, liquid malt, malt syrup and
15 malt extract, which is not subject to taxation under the provisions of
16 K.S.A. 79-41a02, and amendments thereto, motor vehicles taxed pursuant
17 to K.S.A. 79-5117, and amendments thereto, tires taxed pursuant to K.S.A.
18 65-3424d, and amendments thereto, drycleaning and laundry services
19 taxed pursuant to K.S.A. 65-34,150, and amendments thereto, and gross
20 receipts from regulated sports contests taxed pursuant to the Kansas
21 professional regulated sports act, and amendments thereto;

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

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

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

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

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

38 (e) all sales of tangible personal property or services purchased by a
39 contractor for the erection, repair or enlargement of buildings or other
40 projects for the government of the United States, its agencies or
41 instrumentalities, which would be exempt from taxation if purchased
42 directly by the government of the United States, its agencies or
43 instrumentalities. When the government of the United States, its agencies

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

26 (f) tangible personal property purchased by a railroad or public utility
27 for consumption or movement directly and immediately in interstate
28 commerce;

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

38 (h) all rentals of nonsectarian textbooks by public or private
39 elementary or secondary schools;

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

42 (j) meals served without charge or food used in the preparation of
43 such meals to employees of any restaurant, eating house, dining car, hotel,

1 drugstore or other place where meals or drinks are regularly sold to the
2 public if such employees' duties are related to the furnishing or sale of
3 such meals or drinks;

4 (k) any motor vehicle, semitrailer or pole trailer, as such terms are
5 defined by K.S.A. 8-126, and amendments thereto, or aircraft sold and
6 delivered in this state to a bona fide resident of another state, which motor
7 vehicle, semitrailer, pole trailer or aircraft is not to be registered or based
8 in this state and which vehicle, semitrailer, pole trailer or aircraft will not
9 remain in this state more than 10 days;

10 (l) all isolated or occasional sales of tangible personal property,
11 services, substances or things, except isolated or occasional sale of motor
12 vehicles specifically taxed under the provisions of ~~subsection (o)~~ of K.S.A.
13 79-3603(o), and amendments thereto;

14 (m) all sales of tangible personal property which become an
15 ingredient or component part of tangible personal property or services
16 produced, manufactured or compounded for ultimate sale at retail within
17 or without the state of Kansas; and any such producer, manufacturer or
18 compounder may obtain from the director of taxation and furnish to the
19 supplier an exemption certificate number for tangible personal property for
20 use as an ingredient or component part of the property or services
21 produced, manufactured or compounded;

22 (n) all sales of tangible personal property which is consumed in the
23 production, manufacture, processing, mining, drilling, refining or
24 compounding of tangible personal property, the treating of by-products or
25 wastes derived from any such production process, the providing of
26 services or the irrigation of crops for ultimate sale at retail within or
27 without the state of Kansas; and any purchaser of such property may
28 obtain from the director of taxation and furnish to the supplier an
29 exemption certificate number for tangible personal property for
30 consumption in such production, manufacture, processing, mining,
31 drilling, refining, compounding, treating, irrigation and in providing such
32 services;

33 (o) all sales of animals, fowl and aquatic plants and animals, the
34 primary purpose of which is use in agriculture or aquaculture, as defined in
35 K.S.A. 47-1901, and amendments thereto, the production of food for
36 human consumption, the production of animal, dairy, poultry or aquatic
37 plant and animal products, fiber or fur, or the production of offspring for
38 use for any such purpose or purposes;

39 (p) all sales of drugs dispensed pursuant to a prescription order by a
40 licensed practitioner or a mid-level practitioner as defined by K.S.A. 65-
41 1626, and amendments thereto. As used in this subsection, "drug" means a
42 compound, substance or preparation and any component of a compound,
43 substance or preparation, other than food and food ingredients, dietary

1 supplements or alcoholic beverages, recognized in the official United
2 States pharmacopoeia, official homeopathic pharmacopoeia of the United
3 States or official national formulary, and supplement to any of them,
4 intended for use in the diagnosis, cure, mitigation, treatment or prevention
5 of disease or intended to affect the structure or any function of the body,
6 except that for taxable years commencing after December 31, 2013, this
7 subsection shall not apply to any sales of drugs used in the performance or
8 induction of an abortion, as defined in K.S.A. 65-6701, and amendments
9 thereto;

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

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

34 (s) except as provided in K.S.A. 2014 Supp. 82a-2101, and
35 amendments thereto, all sales of tangible personal property or services
36 purchased directly or indirectly by a groundwater management district
37 organized or operating under the authority of K.S.A. 82a-1020 et seq., and
38 amendments thereto, by a rural water district organized or operating under
39 the authority of K.S.A. 82a-612, and amendments thereto, or by a water
40 supply district organized or operating under the authority of K.S.A. 19-
41 3501 et seq., 19-3522 et seq., or 19-3545, and amendments thereto, which
42 property or services are used in the construction activities, operation or
43 maintenance of the district;

1 (t) all sales of farm machinery and equipment or aquaculture
2 machinery and equipment, repair and replacement parts therefor and
3 services performed in the repair and maintenance of such machinery and
4 equipment. For the purposes of this subsection the term "farm machinery
5 and equipment or aquaculture machinery and equipment" shall include a
6 work-site utility vehicle, as defined in K.S.A. 8-126, and amendments
7 thereto, and is equipped with a bed or cargo box for hauling materials, and
8 shall also include machinery and equipment used in the operation of
9 Christmas tree farming but shall not include any passenger vehicle, truck,
10 truck tractor, trailer, semitrailer or pole trailer, other than a farm trailer, as
11 such terms are defined by K.S.A. 8-126, and amendments thereto. "Farm
12 machinery and equipment" includes precision farming equipment that is
13 portable or is installed or purchased to be installed on farm machinery and
14 equipment. "Precision farming equipment" includes the following items
15 used only in computer-assisted farming, ranching or aquaculture
16 production operations: Soil testing sensors, yield monitors, computers,
17 monitors, software, global positioning and mapping systems, guiding
18 systems, modems, data communications equipment and any necessary
19 mounting hardware, wiring and antennas. Each purchaser of farm
20 machinery and equipment or aquaculture machinery and equipment
21 exempted herein must certify in writing on the copy of the invoice or sales
22 ticket to be retained by the seller that the farm machinery and equipment
23 or aquaculture machinery and equipment purchased will be used only in
24 farming, ranching or aquaculture production. Farming or ranching shall
25 include the operation of a feedlot and farm and ranch work for hire and the
26 operation of a nursery;

27 (u) all leases or rentals of tangible personal property used as a
28 dwelling if such tangible personal property is leased or rented for a period
29 of more than 28 consecutive days;

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

43 (w) all sales of natural gas, electricity, heat and water delivered

1 through mains, lines or pipes: (1) To residential premises for
2 noncommercial use by the occupant of such premises; (2) for agricultural
3 use and also, for such use, all sales of propane gas; (3) for use in the
4 severing of oil; and (4) to any property which is exempt from property
5 taxation pursuant to K.S.A. 79-201b, *Second* through *Sixth*. As used in this
6 paragraph, "severing" shall have the meaning ascribed thereto by
7 ~~subsection (k)~~ of K.S.A. 79-4216(k), and amendments thereto. For all sales
8 of natural gas, electricity and heat delivered through mains, lines or pipes
9 pursuant to the provisions of subsection (w)(1) and (w)(2), the provisions
10 of this subsection shall expire on December 31, 2005;

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

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

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

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

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

32 (cc) all sales of tangible personal property or services purchased prior
33 to January 1, 2012, except as otherwise provided, for the purpose of and in
34 conjunction with constructing, reconstructing, enlarging or remodeling a
35 business or retail business which meets the requirements established in
36 K.S.A. 74-50,115, and amendments thereto, and the sale and installation of
37 machinery and equipment purchased for installation at any such business
38 or retail business, and all sales of tangible personal property or services
39 purchased on or after January 1, 2012, for the purpose of and in
40 conjunction with constructing, reconstructing, enlarging or remodeling a
41 business which meets the requirements established in K.S.A. 74-50,115(e),
42 and amendments thereto, and the sale and installation of machinery and
43 equipment purchased for installation at any such business. When a person

1 shall contract for the construction, reconstruction, enlargement or
2 remodeling of any such business or retail business, such person shall
3 obtain from the state and furnish to the contractor an exemption certificate
4 for the project involved, and the contractor may purchase materials,
5 machinery and equipment for incorporation in such project. The contractor
6 shall furnish the number of such certificates to all suppliers from whom
7 such purchases are made, and such suppliers shall execute invoices
8 covering the same bearing the number of such certificate. Upon
9 completion of the project the contractor shall furnish to the owner of the
10 business or retail business a sworn statement, on a form to be provided by
11 the director of taxation, that all purchases so made were entitled to
12 exemption under this subsection. All invoices shall be held by the
13 contractor for a period of five years and shall be subject to audit by the
14 director of taxation. Any contractor or any agent, employee or
15 subcontractor thereof, who shall use or otherwise dispose of any materials,
16 machinery or equipment purchased under such a certificate for any
17 purpose other than that for which such a certificate is issued without the
18 payment of the sales or compensating tax otherwise imposed thereon, shall
19 be guilty of a misdemeanor and, upon conviction therefor, shall be subject
20 to the penalties provided for in ~~subsection (g)~~ of K.S.A. 79-3615(h), and
21 amendments thereto. As used in this subsection, "business" and "retail
22 business" have the meanings respectively ascribed thereto by K.S.A. 74-
23 50,114, and amendments thereto. Project exemption certificates that have
24 been previously issued under this subsection by the department of revenue
25 pursuant to K.S.A. 74-50,115, and amendments thereto, but not including
26 K.S.A. 74-50,115(e), and amendments thereto, prior to January 1, 2012,
27 and have not expired will be effective for the term of the project or two
28 years from the effective date of the certificate, whichever occurs earlier.
29 Project exemption certificates that are submitted to the department of
30 revenue prior to January 1, 2012, and are found to qualify will be issued a
31 project exemption certificate that will be effective for a two-year period or
32 for the term of the project, whichever occurs earlier;

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

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

37 (ff) on and after July 1, 1988, all sales of new mobile homes or
38 manufactured homes to the extent of 40% of the gross receipts, determined
39 without regard to any trade-in allowance, received from such sale. As used
40 in this subsection, "mobile homes" and "manufactured homes" shall have
41 the meanings ascribed thereto by K.S.A. 58-4202, and amendments
42 thereto;

43 (gg) all sales of tangible personal property purchased in accordance

1 with vouchers issued pursuant to the federal special supplemental food
2 program for women, infants and children;

3 (hh) all sales of medical supplies and equipment, including durable
4 medical equipment, purchased directly by a nonprofit skilled nursing home
5 or nonprofit intermediate nursing care home, as defined by K.S.A. 39-923,
6 and amendments thereto, for the purpose of providing medical services to
7 residents thereof. This exemption shall not apply to tangible personal
8 property customarily used for human habitation purposes. As used in this
9 subsection, "durable medical equipment" means equipment including
10 repair and replacement parts for such equipment, which can withstand
11 repeated use, is primarily and customarily used to serve a medical purpose,
12 generally is not useful to a person in the absence of illness or injury and is
13 not worn in or on the body, but does not include mobility enhancing
14 equipment as defined in subsection (r), oxygen delivery equipment, kidney
15 dialysis equipment or enteral feeding systems;

16 (ii) all sales of tangible personal property purchased directly by a
17 nonprofit organization for nonsectarian comprehensive multidiscipline
18 youth development programs and activities provided or sponsored by such
19 organization, and all sales of tangible personal property by or on behalf of
20 any such organization. This exemption shall not apply to tangible personal
21 property customarily used for human habitation purposes;

22 (jj) all sales of tangible personal property or services, including the
23 renting and leasing of tangible personal property, purchased directly on
24 behalf of a community-based facility for people with intellectual disability
25 or mental health center organized pursuant to K.S.A. 19-4001 et seq., and
26 amendments thereto, and licensed in accordance with the provisions of
27 K.S.A. 75-3307b, and amendments thereto, and all sales of tangible
28 personal property or services purchased by contractors during the time
29 period from July, 2003, through June, 2006, for the purpose of
30 constructing, equipping, maintaining or furnishing a new facility for a
31 community-based facility for people with intellectual disability or mental
32 health center located in Riverton, Cherokee County, Kansas, which would
33 have been eligible for sales tax exemption pursuant to this subsection if
34 purchased directly by such facility or center. This exemption shall not
35 apply to tangible personal property customarily used for human habitation
36 purposes;

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

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

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

1 (2) For purposes of this subsection:

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

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

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

26 (D) "manufacturing or processing business" means a business that
27 utilizes an integrated production operation to manufacture, process,
28 fabricate, finish, or assemble items for wholesale and retail distribution as
29 part of what is commonly regarded by the general public as an industrial
30 manufacturing or processing operation or an agricultural commodity
31 processing operation. (i) Industrial manufacturing or processing operations
32 include, by way of illustration but not of limitation, the fabrication of
33 automobiles, airplanes, machinery or transportation equipment, the
34 fabrication of metal, plastic, wood, or paper products, electricity power
35 generation, water treatment, petroleum refining, chemical production,
36 wholesale bottling, newspaper printing, ready mixed concrete production,
37 and the remanufacturing of used parts for wholesale or retail sale. Such
38 processing operations shall include operations at an oil well, gas well,
39 mine or other excavation site where the oil, gas, minerals, coal, clay, stone,
40 sand or gravel that has been extracted from the earth is cleaned, separated,
41 crushed, ground, milled, screened, washed, or otherwise treated or
42 prepared before its transmission to a refinery or before any other wholesale
43 or retail distribution. (ii) Agricultural commodity processing operations

1 include, by way of illustration but not of limitation, meat packing, poultry
2 slaughtering and dressing, processing and packaging farm and dairy
3 products in sealed containers for wholesale and retail distribution, feed
4 grinding, grain milling, frozen food processing, and grain handling,
5 cleaning, blending, fumigation, drying and aeration operations engaged in
6 by grain elevators or other grain storage facilities. (iii) Manufacturing or
7 processing businesses do not include, by way of illustration but not of
8 limitation, nonindustrial businesses whose operations are primarily retail
9 and that produce or process tangible personal property as an incidental part
10 of conducting the retail business, such as retailers who bake, cook or
11 prepare food products in the regular course of their retail trade, grocery
12 stores, meat lockers and meat markets that butcher or dress livestock or
13 poultry in the regular course of their retail trade, contractors who alter,
14 service, repair or improve real property, and retail businesses that clean,
15 service or refurbish and repair tangible personal property for its owner;

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

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

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

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

30 (B) to transport, convey, handle or store the property undergoing
31 manufacturing or processing at any point from the beginning of the
32 production line through any warehousing or distribution operation of the
33 final product that occurs at the plant or facility;

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

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

38 (E) to test or measure raw materials, the property undergoing
39 manufacturing or processing or the finished product, as a necessary part of
40 the manufacturer's integrated production operations;

41 (F) to plan, manage, control or record the receipt and flow of
42 inventories of raw materials, consumables and component parts, the flow
43 of the property undergoing manufacturing or processing and the

1 management of inventories of the finished product;

2 (G) to produce energy for, lubricate, control the operating of or
3 otherwise enable the functioning of other production machinery and
4 equipment and the continuation of production operations;

5 (H) to package the property being manufactured or processed in a
6 container or wrapping in which such property is normally sold or
7 transported;

8 (I) to transmit or transport electricity, coke, gas, water, steam or
9 similar substances used in production operations from the point of
10 generation, if produced by the manufacturer or processor at the plant site,
11 to that manufacturer's production operation; or, if purchased or delivered
12 from off-site, from the point where the substance enters the site of the
13 plant or facility to that manufacturer's production operations;

14 (J) to cool, heat, filter, refine or otherwise treat water, steam, acid, oil,
15 solvents or other substances that are used in production operations;

16 (K) to provide and control an environment required to maintain
17 certain levels of air quality, humidity or temperature in special and limited
18 areas of the plant or facility, where such regulation of temperature or
19 humidity is part of and essential to the production process;

20 (L) to treat, transport or store waste or other byproducts of production
21 operations at the plant or facility; or

22 (M) to control pollution at the plant or facility where the pollution is
23 produced by the manufacturing or processing operation.

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

1 but that would otherwise qualify for exemption under subsection (3)(E);
2 and (F) all machinery and equipment used in surface mining activities as
3 described in K.S.A. 49-601 et seq., and amendments thereto, beginning
4 from the time a reclamation plan is filed to the acceptance of the
5 completed final site reclamation.

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

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

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

16 (C) transportation, transmission and distribution equipment not
17 primarily used in a production, warehousing or material handling
18 operation at the plant or facility, including ~~the means of~~ *substation*
19 *equipment such as pressurization and transformer equipment and all other*
20 *equipment used to convey or assist in the conveyance of natural gas,*
21 *electricity, oil or water, and equipment related thereto, located outside* ~~the~~
22 *of the generation, water treatment or petroleum refining plant or facility;*

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

26 (E) furniture and other furnishings;

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

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

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

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

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

40 (6) Subsections (3) and (5) shall not be construed as exclusive listings
41 of the machinery and equipment that qualify or do not qualify as an
42 integral or essential part of an integrated production operation. When
43 machinery or equipment is used as an integral or essential part of

1 production operations part of the time and for nonproduction purposes at
2 other times, the primary use of the machinery or equipment shall
3 determine whether or not such machinery or equipment qualifies for
4 exemption.

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

7 (ll) all sales of educational materials purchased for distribution to the
8 public at no charge by a nonprofit corporation organized for the purpose of
9 encouraging, fostering and conducting programs for the improvement of
10 public health, except that for taxable years commencing after December
11 31, 2013, this subsection shall not apply to any sales of such materials
12 purchased by a nonprofit corporation which performs any abortion, as
13 defined in K.S.A. 65-6701, and amendments thereto;

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

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

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

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

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

33 (rr) all sales of tangible personal property which will admit the
34 purchaser thereof to any annual event sponsored by a nonprofit
35 organization which is exempt from federal income taxation pursuant to
36 section 501(c)(3) of the federal internal revenue code of 1986, except that
37 for taxable years commencing after December 31, 2013, this subsection
38 shall not apply to any sales of such tangible personal property purchased
39 by a nonprofit organization which performs any abortion, as defined in
40 K.S.A. 65-6701, and amendments thereto;

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

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

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

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

14 (1) The American heart association, Kansas affiliate, inc. for the
15 purposes of providing education, training, certification in emergency
16 cardiac care, research and other related services to reduce disability and
17 death from cardiovascular diseases and stroke;

18 (2) the Kansas alliance for the mentally ill, inc. for the purpose of
19 advocacy for persons with mental illness and to education, research and
20 support for their families;

21 (3) the Kansas mental illness awareness council for the purposes of
22 advocacy for persons who are mentally ill and for education, research and
23 support for them and their families;

24 (4) the American diabetes association Kansas affiliate, inc. for the
25 purpose of eliminating diabetes through medical research, public education
26 focusing on disease prevention and education, patient education including
27 information on coping with diabetes, and professional education and
28 training;

29 (5) the American lung association of Kansas, inc. for the purpose of
30 eliminating all lung diseases through medical research, public education
31 including information on coping with lung diseases, professional education
32 and training related to lung disease and other related services to reduce the
33 incidence of disability and death due to lung disease;

34 (6) the Kansas chapters of the Alzheimer's disease and related
35 disorders association, inc. for the purpose of providing assistance and
36 support to persons in Kansas with Alzheimer's disease, and their families
37 and caregivers;

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

41 (8) the national kidney foundation of Kansas and western Missouri
42 for the purpose of eliminating kidney disease through medical research
43 and public and private education related to such disease;

- 1 (9) the heartstrings community foundation for the purpose of
2 providing training, employment and activities for adults with
3 developmental disabilities;
- 4 (10) the cystic fibrosis foundation, heart of America chapter, for the
5 purposes of assuring the development of the means to cure and control
6 cystic fibrosis and improving the quality of life for those with the disease;
- 7 (11) the spina bifida association of Kansas for the purpose of
8 providing financial, educational and practical aid to families and
9 individuals with spina bifida. Such aid includes, but is not limited to,
10 funding for medical devices, counseling and medical educational
11 opportunities;
- 12 (12) the CHWC, Inc., for the purpose of rebuilding urban core
13 neighborhoods through the construction of new homes, acquiring and
14 renovating existing homes and other related activities, and promoting
15 economic development in such neighborhoods;
- 16 (13) the cross-lines cooperative council for the purpose of providing
17 social services to low income individuals and families;
- 18 (14) the dreams work, inc., for the purpose of providing young adult
19 day services to individuals with developmental disabilities and assisting
20 families in avoiding institutional or nursing home care for a
21 developmentally disabled member of their family;
- 22 (15) the KSDS, Inc., for the purpose of promoting the independence
23 and inclusion of people with disabilities as fully participating and
24 contributing members of their communities and society through the
25 training and providing of guide and service dogs to people with
26 disabilities, and providing disability education and awareness to the
27 general public;
- 28 (16) the lyme association of greater Kansas City, Inc., for the purpose
29 of providing support to persons with lyme disease and public education
30 relating to the prevention, treatment and cure of lyme disease;
- 31 (17) the dream factory, inc., for the purpose of granting the dreams of
32 children with critical and chronic illnesses;
- 33 (18) the Ottawa Suzuki strings, inc., for the purpose of providing
34 students and families with education and resources necessary to enable
35 each child to develop fine character and musical ability to the fullest
36 potential;
- 37 (19) the international association of lions clubs for the purpose of
38 creating and fostering a spirit of understanding among all people for
39 humanitarian needs by providing voluntary services through community
40 involvement and international cooperation;
- 41 (20) the Johnson county young matrons, inc., for the purpose of
42 promoting a positive future for members of the community through
43 volunteerism, financial support and education through the efforts of an all

1 volunteer organization;

2 (21) the American cancer society, inc., for the purpose of eliminating
3 cancer as a major health problem by preventing cancer, saving lives and
4 diminishing suffering from cancer, through research, education, advocacy
5 and service;

6 (22) the community services of Shawnee, inc., for the purpose of
7 providing food and clothing to those in need;

8 (23) the angel babies association, for the purpose of providing
9 assistance, support and items of necessity to teenage mothers and their
10 babies; and

11 (24) the Kansas fairgrounds foundation for the purpose of the
12 preservation, renovation and beautification of the Kansas state fairgrounds;

13 (ww) all sales of tangible personal property purchased by the habitat
14 for humanity for the exclusive use of being incorporated within a housing
15 project constructed by such organization;

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

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

18 (yy) all sales of tangible personal property and services purchased by
19 a parent-teacher association or organization, and all sales of tangible
20 personal property by or on behalf of such association or organization;

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

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

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

40 (bbb) all sales of food for human consumption by an organization
41 which is exempt from federal income taxation pursuant to section 501(c)
42 (3) of the federal internal revenue code of 1986, pursuant to a food
43 distribution program which offers such food at a price below cost in

1 exchange for the performance of community service by the purchaser
2 thereof;

3 (ccc) on and after July 1, 1999, all sales of tangible personal property
4 and services purchased by a primary care clinic or health center the
5 primary purpose of which is to provide services to medically underserved
6 individuals and families, and which is exempt from federal income
7 taxation pursuant to section 501(c)(3) of the federal internal revenue code,
8 and all sales of tangible personal property or services purchased by a
9 contractor for the purpose of constructing, equipping, reconstructing,
10 maintaining, repairing, enlarging, furnishing or remodeling facilities for
11 any such clinic or center which would be exempt from taxation under the
12 provisions of this section if purchased directly by such clinic or center,
13 except that for taxable years commencing after December 31, 2013, this
14 subsection shall not apply to any sales of such tangible personal property
15 and services purchased by a primary care clinic or health center which
16 performs any abortion, as defined in K.S.A. 65-6701, and amendments
17 thereto. Nothing in this subsection shall be deemed to exempt the purchase
18 of any construction machinery, equipment or tools used in the
19 constructing, equipping, reconstructing, maintaining, repairing, enlarging,
20 furnishing or remodeling facilities for any such clinic or center. When any
21 such clinic or center shall contract for the purpose of constructing,
22 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or
23 remodeling facilities, it shall obtain from the state and furnish to the
24 contractor an exemption certificate for the project involved, and the
25 contractor may purchase materials for incorporation in such project. The
26 contractor shall furnish the number of such certificate to all suppliers from
27 whom such purchases are made, and such suppliers shall execute invoices
28 covering the same bearing the number of such certificate. Upon
29 completion of the project the contractor shall furnish to such clinic or
30 center concerned a sworn statement, on a form to be provided by the
31 director of taxation, that all purchases so made were entitled to exemption
32 under this subsection. All invoices shall be held by the contractor for a
33 period of five years and shall be subject to audit by the director of taxation.
34 If any materials purchased under such a certificate are found not to have
35 been incorporated in the building or other project or not to have been
36 returned for credit or the sales or compensating tax otherwise imposed
37 upon such materials which will not be so incorporated in the building or
38 other project reported and paid by such contractor to the director of
39 taxation not later than the 20th day of the month following the close of the
40 month in which it shall be determined that such materials will not be used
41 for the purpose for which such certificate was issued, such clinic or center
42 concerned 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,
2 employee or subcontractor thereof, who shall use or otherwise dispose of
3 any materials purchased under such a certificate for any purpose other than
4 that for which such a certificate is issued without the payment of the sales
5 or compensating tax otherwise imposed upon such materials, shall be
6 guilty of a misdemeanor and, upon conviction therefor, shall be subject to
7 the penalties provided for in ~~subsection (g) of~~ K.S.A. 79-3615(h), and
8 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
15 exempt 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 accordance
18 with rules and regulations adopted for such purpose by the secretary of
19 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
28 maintenance services performed on such machinery and equipment; and
29 all sales of repair and replacement parts for such machinery and
30 equipment. For purposes of this subsection, a warehouse or distribution
31 facility means a single, fixed location that consists of buildings or
32 structures in a contiguous area where storage or distribution operations are
33 conducted that are separate and apart from the business' retail operations,
34 if any, and which do not otherwise qualify for exemption as occurring at a
35 manufacturing or processing plant or facility. Material handling and
36 storage equipment shall include aeration, dust control, cleaning, handling
37 and other such equipment that is used in a public grain warehouse or other
38 commercial grain storage facility, whether used for grain handling, grain
39 storage, grain 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
43 internal 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
6 organization which is exempt from federal income taxation pursuant to
7 section 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
10 organizations 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
13 contractor for the purpose of constructing, equipping, reconstructing,
14 maintaining, repairing, enlarging, furnishing or remodeling facilities used
15 for the collection and storage of such food products for any such
16 organization which is exempt from federal income taxation pursuant to
17 section 501(c)(3) of the federal internal revenue code of 1986, which
18 would be exempt from taxation under the provisions of this section if
19 purchased directly by such organization. Nothing in this subsection shall
20 be deemed to exempt the purchase of any construction machinery,
21 equipment or tools used in the constructing, equipping, reconstructing,
22 maintaining, repairing, enlarging, furnishing or remodeling facilities for
23 any such organization. When any such organization shall contract for the
24 purpose of constructing, equipping, reconstructing, maintaining, repairing,
25 enlarging, furnishing or remodeling facilities, it shall obtain from the state
26 and furnish to the contractor an exemption certificate for the project
27 involved, and the contractor may purchase materials for incorporation in
28 such project. The contractor shall furnish the number of such certificate to
29 all suppliers from whom such purchases are made, and such suppliers shall
30 execute invoices covering the same bearing the number of such certificate.
31 Upon completion of the project the contractor shall furnish to such
32 organization concerned a sworn statement, on a form to be provided by the
33 director of taxation, that all purchases so made were entitled to exemption
34 under this subsection. All invoices shall be held by the contractor for a
35 period of five years and shall be subject to audit by the director of taxation.
36 If any materials purchased under such a certificate are found not to have
37 been incorporated in such facilities or not to have been returned for credit
38 or the sales or compensating tax otherwise imposed upon such materials
39 which will not be so incorporated in such facilities reported and paid by
40 such contractor to the director of taxation not later than the 20th day of the
41 month following the close of the month in which it shall be determined
42 that such materials will not be used for the purpose for which such
43 certificate was issued, such organization concerned shall be liable for tax

1 on all materials purchased for the project, and upon payment thereof it
2 may recover the same from the contractor together with reasonable
3 attorney fees. Any contractor or any agent, employee or subcontractor
4 thereof, who shall use or otherwise dispose of any materials purchased
5 under such a certificate for any purpose other than that for which such a
6 certificate is issued without the payment of the sales or compensating tax
7 otherwise imposed upon such materials, shall be guilty of a misdemeanor
8 and, upon conviction therefor, shall be subject to the penalties provided for
9 in ~~subsection (g)~~ of K.S.A. 79-3615(h), and amendments thereto. Sales tax
10 paid on and after July 1, 2005, but prior to the effective date of this act
11 upon the gross receipts received from any sale exempted by the
12 amendatory provisions of this subsection shall be refunded. Each claim for
13 a sales tax refund shall be verified and submitted to the director of taxation
14 upon forms furnished by the director and shall be accompanied by any
15 additional documentation required by the director. The director shall
16 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 the
20 director's designee;

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

1 personal 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 code,
5 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 charitable
10 fund for the purpose of constructing a boundless playground which is an
11 integrated, barrier free and developmentally advantageous play
12 environment for children of all abilities and disabilities;

13 (ooo) all sales of tangible personal property by or on behalf of a
14 public library serving the general public and supported in whole or in part
15 with tax money or a not-for-profit organization whose purpose is to raise
16 funds 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
22 homelessness, and all sales of any such property by or on behalf of any
23 such homeless 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 501(c)
27 (3) of the federal internal revenue code of 1986, and which such property
28 and services are used for the purpose of providing emergency shelter and
29 treatment for abused and neglected children as well as meeting additional
30 critical needs for children, juveniles and family, and all sales of any such
31 property by or on behalf of TLC for any such purpose; and all sales of
32 tangible personal property or services purchased by a contractor for the
33 purpose of constructing, maintaining, repairing, enlarging, furnishing or
34 remodeling facilities for the operation of services for TLC for any such
35 purpose which would be exempt from taxation under the provisions of this
36 section if purchased directly by TLC. Nothing in this subsection shall be
37 deemed to exempt the purchase of any construction machinery, equipment
38 or tools used in the constructing, maintaining, repairing, enlarging,
39 furnishing or remodeling such facilities for TLC. When TLC contracts for
40 the purpose of constructing, maintaining, repairing, enlarging, furnishing
41 or remodeling such facilities, it shall obtain from the state and furnish to
42 the contractor an exemption certificate for the project involved, and the
43 contractor may purchase materials for incorporation in such project. The

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

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

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

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

39 (ttt) all sales of tangible personal property or services purchased by a
40 contractor for a project for the purpose of restoring, constructing,
41 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or
42 remodeling a home or facility owned by a nonprofit museum which has
43 been granted an exemption pursuant to subsection (qq), which such home

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

42 (uuu) all sales of tangible personal property and services purchased
43 by Kansas children's service league, hereinafter referred to as KCSL,

1 which is exempt from federal income taxation pursuant to section 501(c)
2 (3) of the federal internal revenue code of 1986, and which such property
3 and services are used for the purpose of providing for the prevention and
4 treatment of child abuse and maltreatment as well as meeting additional
5 critical needs for children, juveniles and family, and all sales of any such
6 property by or on behalf of KCSL for any such purpose; and all sales of
7 tangible personal property or services purchased by a contractor for the
8 purpose of constructing, maintaining, repairing, enlarging, furnishing or
9 remodeling facilities for the operation of services for KCSL for any such
10 purpose which would be exempt from taxation under the provisions of this
11 section if purchased directly by KCSL. Nothing in this subsection shall be
12 deemed to exempt the purchase of any construction machinery, equipment
13 or tools used in the constructing, maintaining, repairing, enlarging,
14 furnishing or remodeling such facilities for KCSL. When KCSL contracts
15 for the purpose of constructing, maintaining, repairing, enlarging,
16 furnishing or remodeling such facilities, it shall obtain from the state and
17 furnish to the contractor an exemption certificate for the project involved,
18 and the contractor may purchase materials for incorporation in such
19 project. The contractor shall furnish the number of such certificate to all
20 suppliers from whom such purchases are made, and such suppliers shall
21 execute invoices covering the same bearing the number of such certificate.
22 Upon completion of the project the contractor shall furnish to KCSL a
23 sworn statement, on a form to be provided by the director of taxation, that
24 all purchases so made were entitled to exemption under this subsection.
25 All invoices shall be held by the contractor for a period of five years and
26 shall be subject to audit by the director of taxation. If any materials
27 purchased under such a certificate are found not to have been incorporated
28 in the building or other project or not to have been returned for credit or
29 the sales or compensating tax otherwise imposed upon such materials
30 which will not be so incorporated in the building or other project reported
31 and paid by such contractor to the director of taxation not later than the
32 20th day of the month following the close of the month in which it shall be
33 determined that such materials will not be used for the purpose for which
34 such certificate was issued, KCSL shall be liable for tax on all materials
35 purchased for the project, and upon payment thereof it may recover the
36 same from the contractor together with reasonable attorney fees. Any
37 contractor or any agent, employee or subcontractor thereof, who shall use
38 or otherwise dispose of any materials purchased under such a certificate
39 for any purpose other than that for which such a certificate is issued
40 without the payment of the sales or compensating tax otherwise imposed
41 upon such materials, shall be guilty of a misdemeanor and, upon
42 conviction therefor, shall be subject to the penalties provided for in
43 subsection (g) of K.S.A. 79-3615(h), and amendments thereto;

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

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

15 (xxx) all sales of personal property and services purchased by the
16 booth theatre foundation, inc., an organization which is exempt from
17 federal income taxation pursuant to section 501(c)(3) of the federal
18 internal revenue code of 1986, and which such personal property and
19 services are used by any such organization in the constructing, equipping,
20 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling
21 of the booth theatre, and all sales of tangible personal property or services
22 purchased by a contractor for the purpose of constructing, equipping,
23 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling
24 the booth theatre for such organization, which would be exempt from
25 taxation under the provisions of this section if purchased directly by such
26 organization. Nothing in this subsection shall be deemed to exempt the
27 purchase of any construction machinery, equipment or tools used in the
28 constructing, equipping, reconstructing, maintaining, repairing, enlarging,
29 furnishing or remodeling facilities for any such organization. When any
30 such organization shall contract for the purpose of constructing, equipping,
31 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling
32 facilities, it shall obtain from the state and furnish to the contractor an
33 exemption certificate for the project involved, and the contractor may
34 purchase materials for incorporation in such project. The contractor shall
35 furnish the number of such certificate to all suppliers from whom such
36 purchases are made, and such suppliers shall execute invoices covering the
37 same bearing the number of such certificate. Upon completion of the
38 project the contractor shall furnish to such organization concerned a sworn
39 statement, on a form to be provided by the director of taxation, that all
40 purchases so made were entitled to exemption under this subsection. All
41 invoices shall be held by the contractor for a period of five years and shall
42 be subject to audit by the director of taxation. If any materials purchased
43 under such a certificate are found not to have been incorporated in such

1 facilities or not to have been returned for credit or the sales or
2 compensating tax otherwise imposed upon such materials which will not
3 be so incorporated in such facilities reported and paid by such contractor
4 to the director of taxation not later than the 20th day of the month following
5 the close of the month in which it shall be determined that such materials
6 will not be used for the purpose for which such certificate was issued, such
7 organization concerned shall be liable for tax on all materials purchased
8 for the project, and upon payment thereof it may recover the same from
9 the contractor together with reasonable attorney fees. Any contractor or
10 any agent, employee or subcontractor thereof, who shall use or otherwise
11 dispose of any materials purchased under such a certificate for any purpose
12 other than that for which such a certificate is issued without the payment
13 of the sales or compensating tax otherwise imposed upon such materials,
14 shall be guilty of a misdemeanor and, upon conviction therefor, shall be
15 subject to the penalties provided for in ~~subsection (g)~~ of K.S.A. 79-
16 3615(h), and amendments thereto. Sales tax paid on and after January 1,
17 2007, but prior to the effective date of this act upon the gross receipts
18 received from any sale which would have been exempted by the provisions
19 of this subsection had such sale occurred after the effective date of this act
20 shall be refunded. Each claim for a sales tax refund shall be verified and
21 submitted to the director of taxation upon forms furnished by the director
22 and shall be accompanied by any additional documentation required by the
23 director. The director shall review each claim and shall refund that amount
24 of sales tax paid as determined under the provisions of this subsection. All
25 refunds shall be paid from the sales tax refund fund upon warrants of the
26 director of accounts and reports pursuant to vouchers approved by the
27 director or the director's designee;

28 (yyy) all sales of tangible personal property and services purchased
29 by TLC charities foundation, inc., hereinafter referred to as TLC charities,
30 which is exempt from federal income taxation pursuant to section 501(c)
31 (3) of the federal internal revenue code of 1986, and which such property
32 and services are used for the purpose of encouraging private philanthropy
33 to further the vision, values, and goals of TLC for children and families,
34 inc.; and all sales of such property and services by or on behalf of TLC
35 charities for any such purpose and all sales of tangible personal property or
36 services purchased by a contractor for the purpose of constructing,
37 maintaining, repairing, enlarging, furnishing or remodeling facilities for
38 the operation of services for TLC charities for any such purpose which
39 would be exempt from taxation under the provisions of this section if
40 purchased directly by TLC charities. Nothing in this subsection shall be
41 deemed to exempt the purchase of any construction machinery, equipment
42 or tools used in the constructing, maintaining, repairing, enlarging,
43 furnishing or remodeling such facilities for TLC charities. When TLC

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

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

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

41 (bbbb) all sales of entry or participation fees, charges or tickets by
42 Guadalupe health foundation, which is exempt from federal income
43 taxation pursuant to section 501(c)(3) of the federal internal revenue code,

1 for such organization's annual fundraising event which purpose is to
2 provide health care services for uninsured workers;

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

12 (dddd) all sales of tangible personal property or services purchased
13 by or on behalf of goodwill industries or Easter seals of Kansas, inc., both
14 of which are exempt from federal income taxation pursuant to section
15 501(c)(3) of the federal internal revenue code, for the purpose of providing
16 education, training and employment opportunities for people with
17 disabilities and other barriers to employment;

18 (eeee) all sales of tangible personal property or services purchased by
19 or on behalf of All American beef battalion, inc., which is exempt from
20 federal income taxation pursuant to section 501(c)(3) of the federal
21 internal revenue code, for the purpose of educating, promoting and
22 participating as a contact group through the beef cattle industry in order to
23 carry out such projects that provide support and morale to members of the
24 United States armed forces and military services;

25 (ffff) all sales of tangible personal property and services purchased by
26 sheltered living, inc., which is exempt from federal income taxation
27 pursuant to section 501(c)(3) of the federal internal revenue code of 1986,
28 and which such property and services are used for the purpose of
29 providing residential and day services for people with developmental
30 disabilities or intellectual disability, or both, and all sales of any such
31 property by or on behalf of sheltered living, inc., for any such purpose; and
32 all sales of tangible personal property or services purchased by a
33 contractor for the purpose of rehabilitating, constructing, maintaining,
34 repairing, enlarging, furnishing or remodeling homes and facilities for
35 sheltered living, inc., for any such purpose which would be exempt from
36 taxation under the provisions of this section if purchased directly by
37 sheltered living, inc. Nothing in this subsection shall be deemed to exempt
38 the purchase of any construction machinery, equipment or tools used in the
39 constructing, maintaining, repairing, enlarging, furnishing or remodeling
40 such homes and facilities for sheltered living, inc. When sheltered living,
41 inc., contracts for the purpose of rehabilitating, constructing, maintaining,
42 repairing, enlarging, furnishing or remodeling such homes and facilities, it
43 shall obtain from the state and furnish to the contractor an exemption

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

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

30 (hhhh) all sales of tangible personal property or services purchased
31 on or after July 1, 2014, for the purpose of and in conjunction with
32 constructing, reconstructing, enlarging or remodeling a business identified
33 under the North American industry classification system (NAICS)
34 subsectors 1123, 1124, 112112, 112120 or 112210, and the sale and
35 installation of machinery and equipment purchased for installation at any
36 such business. The exemption provided in this subsection shall not apply
37 to projects that have actual total costs less than \$50,000. When a person
38 contracts for the construction, reconstruction, enlargement or remodeling
39 of any such business, such person shall obtain from the state and furnish to
40 the contractor an exemption certificate for the project involved, and the
41 contractor may purchase materials, machinery and equipment for
42 incorporation in such project. The contractor shall furnish the number of
43 such certificates to all suppliers from whom such purchases are made, and

1 such suppliers shall execute invoices covering the same bearing the
2 number of such certificate. Upon completion of the project, the contractor
3 shall furnish to the owner of the business a sworn statement, on a form to
4 be provided by the director of taxation, that all purchases so made were
5 entitled to exemption under this subsection. All invoices shall be held by
6 the contractor for a period of five years and shall be subject to audit by the
7 director of taxation. Any contractor or any agent, employee or
8 subcontractor of the contractor, who shall use or otherwise dispose of any
9 materials, machinery or equipment purchased under such a certificate for
10 any purpose other than that for which such a certificate is issued without
11 the payment of the sales or compensating tax otherwise imposed thereon,
12 shall be guilty of a misdemeanor and, upon conviction therefor, shall be
13 subject to the penalties provided for in ~~subsection (g)~~ of K.S.A. 79-
14 3615(h), and amendments thereto;

15 (iii) all sales of tangible personal property or services purchased by a
16 contractor for the purpose of constructing, maintaining, repairing,
17 enlarging, furnishing or remodeling facilities for the operation of services
18 for Wichita children's home for any such purpose which would be exempt
19 from taxation under the provisions of this section if purchased directly by
20 Wichita children's home. Nothing in this subsection shall be deemed to
21 exempt the purchase of any construction machinery, equipment or tools
22 used in the constructing, maintaining, repairing, enlarging, furnishing or
23 remodeling such facilities for Wichita children's home. When Wichita
24 children's home contracts for the purpose of constructing, maintaining,
25 repairing, enlarging, furnishing or remodeling such facilities, it shall obtain
26 from the state and furnish to the contractor an exemption certificate for the
27 project involved, and the contractor may purchase materials for
28 incorporation in such project. The contractor shall furnish the number of
29 such certificate to all suppliers from whom such purchases are made, and
30 such suppliers shall execute invoices covering the same bearing the
31 number of such certificate. Upon completion of the project, the contractor
32 shall furnish to Wichita children's home a sworn statement, on a form to be
33 provided by the director of taxation, that all purchases so made were
34 entitled to exemption under this subsection. All invoices shall be held by
35 the contractor for a period of five years and shall be subject to audit by the
36 director of taxation. If any materials purchased under such a certificate are
37 found not to have been incorporated in the building or other project or not
38 to have been returned for credit or the sales or compensating tax otherwise
39 imposed upon such materials which will not be so incorporated in the
40 building or other project reported and paid by such contractor to the
41 director of taxation not later than the 20th day of the month following the
42 close of the month in which it shall be determined that such materials will
43 not be used for the purpose for which such certificate was issued, Wichita

1 children's home shall be liable for the tax on all materials purchased for the
2 project, and upon payment, it may recover the same from the contractor
3 together with reasonable attorney fees. Any contractor or any agent,
4 employee or subcontractor, who shall use or otherwise dispose of any
5 materials purchased under such a certificate for any purpose other than that
6 for which such a certificate is issued without the payment of the sales or
7 compensating tax otherwise imposed upon such materials, shall be guilty
8 of a misdemeanor and, upon conviction, shall be subject to the penalties
9 provided for in ~~subsection (h)~~ of K.S.A. 79-3615(h), and amendments
10 thereto;

11 (jjjj) all sales of tangible personal property or services purchased by
12 or on behalf of the beacon, inc., which is exempt from federal income
13 taxation pursuant to section 501(c)(3) of the federal internal revenue code,
14 for the purpose of providing those desiring help with food, shelter, clothing
15 and other necessities of life during times of special need; and

16 (kkkk) all sales of tangible personal property and services purchased
17 by or on behalf of reaching out from within, inc., which is exempt from
18 federal income taxation pursuant to section 501(c)(3) of the federal
19 internal revenue code, for the purpose of sponsoring self-help programs for
20 incarcerated persons that will enable such incarcerated persons to become
21 role models for non-violence while in correctional facilities and productive
22 family members and citizens upon return to the community.

23 Sec. 2. K.S.A. 2014 Supp. 79-3606 is hereby repealed.

24 Sec. 3. This act shall take effect and be in force from and after its
25 publication in the statute book.