

SENATE BILL No. 347

By Committee on Commerce

1-18

1 AN ACT concerning economic development; enacting the attracting
2 powerful economic expansion act; relating to tax and other incentives
3 for projects in specified industries or for a national corporate
4 headquarters with specified capital investment requirements of at least
5 \$1,000,000,000; providing for a refundable **an** income, privilege and
6 premium tax credit for a portion of such investment; reimbursement of
7 certain payroll costs and training and education costs; retention of
8 certain payroll withholding taxes; sales tax exemption for project
9 construction and a property tax incentive for certain projects located in
10 a foreign trade zone; **adjusting the income tax on corporations by**
11 **reducing the rate by 0.5% after any fiscal year that incentives under**
12 **this act are received by a business**; establishing the attracting powerful
13 economic expansion payroll incentive fund and the attracting powerful
14 economic expansion new employee training and education fund;
15 amending **K.S.A. 79-32,110 and** K.S.A. 2021 Supp. 79-3606 and
16 repealing the existing ~~section~~ **sections**.

17

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

19 New Section 1. (a) This act shall be known and may be cited as the
20 attracting powerful economic expansion act.

21 (b) For purposes of the attracting powerful economic expansion act:

22 (1) "Act" means the attracting powerful economic expansion act,
23 sections 1 through ~~11~~ **12**, and amendments thereto.

24 (2) "Applicant" means a legal entity seeking to certify as a qualified
25 firm for the economic development benefits pursuant to this act.

26 (3) "Commence investment" means to begin to invest, with action
27 being directly connected to documentation describing the project
28 previously submitted to the department.

29 (4) "Commencement of commercial operations" means the date, as
30 determined by the secretary, that the qualified business facility is first
31 available for use by the qualified firm, or first capable of being used by the
32 qualified firm, in the revenue producing enterprise in which the qualified
33 firm intends to use the qualified business facility.

34 (5) "Commitment to invest" means one or both of the following:

35 (A) The qualified firm relocates assets that it already owns to Kansas
36 from an out-of-state location; or

1 (B) the qualified firm enters into a written agreement that provides
2 either party with legally enforceable remedies if the agreement is
3 breached.

4 ~~(5)(6)~~ "Department" means the Kansas department of commerce.

5 ~~(6)(7)~~ "Headquarters" means a qualified business facility that meets
6 the following conditions:

7 (A) The main activity at the qualified business facility is providing
8 direction, management, or administrative support for the operation of
9 multiple company-owned worksites or facilities in which the applicant
10 company has an ownership interest greater than 50%; and

11 (B) the qualified business facility is capable of being geographically
12 located anywhere.

13 ~~(7)(8)~~ "New employee" means a qualified business facility employee
14 who is newly employed by the qualified firm or qualified supplier in the
15 qualified firm or qualified supplier's business operating in Kansas during
16 the taxable year for which benefits are sought. Qualified business facility
17 employees performing functions directly related to a relocating,
18 expanding, or new business facility, office, department or other operation
19 shall be considered "new employees."

20 ~~(8)(9)~~ "On-the-job training" means training situations during which a
21 product or service that can be sold or used in internal operations is
22 generated.

23 ~~(9)(10)~~ "Qualified business facility" means a facility as defined in
24 subparagraph (C) that satisfies the requirements of subparagraphs (A) and
25 (B):

26 (A) Such facility is for use by the qualified firm in the operation of a
27 revenue producing enterprise, as defined in this section. Such facility shall
28 not be considered a "qualified business facility" in the hands of the
29 qualified firm if the qualified firm's only activity with respect to such
30 facility is to lease it to another person or persons. If the qualified firm
31 employs only a portion of such facility in the operation of a revenue
32 producing enterprise, and leases another portion of such facility to another
33 person or persons or does not otherwise use such other portions in the
34 operation of a revenue producing enterprise, the portion employed by the
35 qualified firm in the operation of a revenue producing enterprise shall be
36 considered a "qualified business facility," if the requirements of
37 subparagraph (B) are satisfied.

38 (B) If such facility was acquired or leased by the qualified firm from
39 another person or persons, the facility was not used, either immediately
40 prior to the transfer of title to the qualified firm, or to the commencement
41 of the term of the lease to the qualified firm, by any other person or
42 persons in the operation of a revenue producing enterprise that is the same
43 or substantially the same as the revenue producing enterprise continued by

1 the qualified firm at the facility.

2 (C) "Facility" means any factory, mill, plant, refinery, warehouse,
3 building or complex of buildings located within the state, including the
4 land on which such facility is located and all machinery, equipment and
5 other real and tangible personal property located at or within such facility
6 used in connection with the operation of such facility. "Building" means
7 only structures within which individuals are customarily employed or that
8 are customarily used to house machinery, equipment or other property.

9 ~~(H)~~(II) (A) "Qualified business facility employee" means a person
10 employed in Kansas by a qualified firm in the operation of a qualified
11 business facility or by a qualified supplier in the qualified supplier's
12 business operating in Kansas during the taxable year for which the benefits
13 allowed by this act are claimed. Such person shall be deemed to be so
14 employed if such person performs duties in Kansas in connection with the
15 operation of the qualified business facility by a qualified firm or the
16 business operating in Kansas of the qualified supplier on a:

17 (i) Regular, full-time basis;

18 (ii) part-time basis, provided such person is customarily performing
19 such duties at least 20 hours per week throughout the taxable year; or

20 (iii) seasonal basis, provided such person performs such duties for
21 substantially all of the season customary for the position in which such
22 person is employed.

23 (B) "Qualified business facility employee" does not include an
24 independent contractor.

25 ~~(H)~~(12) "Qualified business facility investment" or "qualified
26 investment" means the value of the real and tangible personal property,
27 except inventory or property held for sale to customers in the ordinary
28 course of the qualified firm's business, that constitutes the qualified
29 business facility, or that is used by the qualified firm in the operation of the
30 qualified business facility, including such property used for administrative
31 or managerial functions, during the taxable years for which the credit
32 allowed by sections 2 and 3, and amendments thereto, is claimed. The
33 value of such property during such taxable year shall be:

34 (A) Such property's original cost if owned by the qualified firm; or

35 (B) eight times the net annual rental rate, if leased by the qualified
36 firm. The net annual rental rate shall be the annual rental rate paid by the
37 qualified firm less any annual rental rate received by the qualified firm
38 from subrentals. The "qualified business facility investment" shall be
39 determined by dividing by 12 the sum of the total value of such property
40 on the last business day of each calendar month of the taxable year.
41 Notwithstanding the provisions of this paragraph, for the purpose of
42 computing the credit allowed by section 3, and amendments thereto, in the
43 case of a "qualified business facility investment" in a qualified business

1 facility that existed and was operated by the qualified firm or a related
2 taxpayer prior to the investment, the amount of the qualified firm's
3 investment shall be computed as follows: Such investment amount shall be
4 reduced by the average amount, computed as provided in this paragraph,
5 of the investment of the qualified firm or a related taxpayer in the facility
6 for the taxable year preceding the taxable year in which the "qualified
7 business facility investment" was made in the facility.

8 ~~(12)~~**(13)** (A) "Qualified firm" means a for-profit business
9 establishment, subject to state income, sales or property taxes, that is:

10 (i) Engaged in one or more of the following industries, as defined by
11 the secretary of commerce:

12 (a) Advanced manufacturing;

13 (b) aerospace;

14 (c) distribution, logistics and transportation;

15 (d) food and agriculture; or

16 (e) professional and technical services; or

17 (ii) engaged in any industry or revenue-producing activity if seeking
18 benefits with respect to a qualified business facility that is the national
19 corporate headquarters of the for-profit business establishment.

20 (B) Notwithstanding clauses (i) and (ii), "qualified firm" does not
21 include a business establishment engaged in mining, swine production,
22 ranching or gaming.

23 ~~(13)~~**(14)** "Qualified supplier" means any business that:

24 (A) Is located in Kansas;

25 (B) is a supplier of components, sub-assemblies, chemicals or other
26 process-related tangible goods;

27 (C) is owned by an individual, any partnership, association, limited
28 liability corporation or corporation domiciled in Kansas, or any
29 corporation, even if a wholly owned subsidiary of a foreign corporation;
30 and

31 (D) does business primarily in Kansas or does substantially all of
32 such business production in Kansas.

33 ~~(14)~~**(15)** "Revenue producing enterprise" means an enterprise that
34 creates revenue subject to potential tax liability in this state.

35 ~~(15)~~**(16)** "Secretary" means the secretary of commerce.

36 ~~(16)~~**(17)** (A) "Total payroll cost" means the payroll amount defined
37 by the Kansas department of labor as total wages on the quarterly wage
38 report and unemployment tax return. For a qualified business facility,
39 "total payroll cost" during the appropriate measurement period may be
40 combined with any pretax earnings in which an employee has elected to
41 direct to a:

42 (i) Flexible-spending plan;

43 (ii) deferred compensation plan; or

1 (iii) retirement plan that includes earnings the employee would
2 otherwise have received in the form of taxable wages had it not been for
3 the voluntary deferral.

4 (B) "Total payroll cost" does not include company-paid costs for
5 health insurance, dental insurance and any other employee benefits that are
6 not reported to the Kansas department of labor on the employer's quarterly
7 wage report.

8 ~~(17)~~**(18)** "Training and education eligible expense" means the amount
9 actually paid for training and education of the group of employees, or
10 portion thereof, and from which the qualified firm or qualified supplier
11 expects to derive increased productivity or quality.

12 (A) "Training and education eligible expense" includes instructor
13 salaries, curriculum planning and development, travel, materials and
14 supplies, textbooks, manuals, minor training equipment, certain training
15 facility costs and any other expenditure that is eligible under the Kansas
16 industrial training or the Kansas industrial retraining programs.

17 (B) "Training and education eligible expense" may include, subject to
18 maximum limits determined by the secretary:

19 (i) Wages of employees during eligible training;
20 (ii) employee instructors' salaries; and
21 (iii) training-related travel expenses, with a maximum meals
22 allowance of \$120 per day and lodging costs of \$300 per night.

23 (C) "Training and education eligible expense" does not include:

24 (i) Compensation paid to an employee trainee who is receiving on-
25 the-job training;

26 (ii) compensation paid to an employee during self-training, except for
27 time in which the employee is involved in activities related to an approved
28 computerized course of study;

29 (iii) bonus pay received as compensation related to the company's
30 financial performance or the employee's job performance, or both;

31 (iv) overtime pay, unless the employee is being paid at an overtime
32 rate while participating in eligible training;

33 (v) operations manuals and reference manuals manuals, except that
34 training-specific manuals may be allowable; and

35 (vi) training and education costs covered by monies or grants
36 obtained from state, federal or other government-sponsored workforce
37 training programs.

38 New Sec. 2. (a) There is hereby established the attracting powerful
39 economic expansion program to be administered by the secretary of
40 commerce. The purpose of the attracting powerful economic expansion
41 program is to attract large capital investments by businesses engaged in
42 specified industries in new business facilities and operations in Kansas, or
43 large capital investments in new national headquarters in Kansas by any

1 business, and to encourage the development of a Kansas-based supply
2 chain for such large enterprises.

3 (b) A qualified firm that makes a qualified business investment of at
4 least \$1,000,000,000 in a qualified business facility pursuant to the
5 requirements of this act may be eligible for the following incentives as
6 approved by the secretary:

7 (1) The investment tax credit pursuant to section 3, and amendments
8 thereto;

9 (2) reimbursement of a percentage of total payroll, pursuant to
10 sections 5 and 6, and amendments thereto;

11 (3) reimbursement of any eligible employee training and education
12 expense pursuant to sections 7 and 8, and amendments thereto;

13 (4) a partial real property tax exemption for qualified business
14 facilities that are manufacturing facilities or headquarters located in
15 foreign trade zones pursuant to section 9, and amendments thereto; and

16 (5) a sales tax exemption for construction costs of the qualified
17 business facility pursuant to K.S.A. 79-3606, and amendments thereto, and
18 section 10, and amendments thereto.

19 (c) To be eligible to receive an incentive listed in subsection (b), a
20 qualified firm shall meet the requirements of this act, including any
21 requirements or provisions specific to each such incentive, and any rules
22 and regulations of the secretary pursuant to this act and shall:

23 (1) Submit an application to the secretary in the form and manner
24 prescribed by the secretary and including all information as required by the
25 secretary;

26 (2) if requested by the secretary, prior to making a commitment to
27 invest in a qualified business facility, submit a certificate of intent to invest
28 in the qualified business facility to the secretary in the form and manner
29 required by the secretary, including, if requested by the secretary, a date
30 investment will commence;

31 (3) commit to a qualified business investment of at least
32 \$1,000,000,000 in the qualified business facility to be completed within
33 five years of the commitment to invest on such date specified in the
34 agreement pursuant to paragraph (5);

35 (4) complete the project and commence commercial operations within
36 five years of either the commitment to invest or the date of the agreement
37 with the secretary made pursuant to this section, as designated by the
38 secretary and on such date as specified in the agreement pursuant to
39 paragraph (5);

40 (5) if the application is approved by the secretary, enter into a binding
41 agreement with the secretary with such terms and conditions as required
42 by the secretary and including the commitments required by this act. The
43 agreement shall be entered into before any benefits may be provided under

1 this act;

2 (6) obtain and submit a bond to the secretary if required as follows:
3 The secretary shall determine a minimum investment grade rating
4 requirement for each project of a qualified firm seeking benefits under this
5 act. In determining the minimum investment grade rating, the secretary
6 shall consider the aspects of the qualified firm and the qualified business
7 facility or project and shall consult ratings from three nationally
8 recognized rating agencies selected by the secretary that provide
9 investment grade ratings. A qualifying firm or qualifying business facility
10 that does not meet the minimum investment grade rating determined by the
11 secretary shall obtain and submit a bond in an amount, as determined by
12 the secretary, of the costs associated with the primary construction of the
13 building or buildings of the qualified business facility to a degree of
14 completion specified by the secretary. The bond shall be paid to the state
15 if, in the judgment of the secretary, the qualified business facility has not
16 been constructed to the degree specified; and

17 (7) commit to repayment of the amount of all benefits received under
18 this act exceeding payment of the bond submitted pursuant to paragraph
19 (6), in the event that the requirements of this act, rules and regulations of
20 the secretary pursuant to this act or the terms and conditions of the
21 agreement pursuant to paragraph (5) are not met.

22 (d) A qualified supplier, that meets the requirements of paragraphs (1)
23 and (2), as determined by the secretary, may be eligible for the incentives
24 listed in subsection (b)(1), (3), (4) or (5) or a partial retention of payroll
25 withholding taxes for employees as provided by section 4, and
26 amendments thereto, upon designation by a qualified firm as eligible for
27 incentives pursuant to paragraph (1). No benefits under sections 4 or 7
28 shall be awarded to the qualified supplier until the commencement of such
29 qualified firm's operations at the qualified business facility, as determined
30 by the secretary. If the qualified business facility fails to commence
31 operations as required by subsection (c)(4), all incentives that may have
32 been awarded to the qualified supplier under this act shall be forfeited and
33 the qualified supplier shall cease to be eligible for further benefits until the
34 requirements of this act are met with respect to the same qualified firm that
35 has entered into a new agreement with the secretary or a different qualified
36 firm. To be eligible to receive benefits, a qualified supplier shall meet the
37 requirements of this act, including any requirements or provisions specific
38 to each such incentive, and any rules and regulations of the secretary
39 pursuant to this act and shall:

40 (1) Be selected by the qualified firm as a qualified supplier eligible to
41 receive incentives under this act and identified to the secretary of
42 commerce. Not more than five qualified suppliers may be selected by any
43 one qualified firm. Such selection shall be effective for a period of five

1 years or the time period that an incentive under this act has been approved
2 for the qualified supplier by the secretary. The secretary may specify a
3 lesser period;

4 (2) within each period of one year for which incentives may be
5 earned, beginning with the year in which the qualified supplier was
6 designated as eligible for benefits by the qualified firm, have made sales,
7 as defined by the secretary, of more than \$10,000,000 to the qualified
8 business facility. This requirement may be waived by the secretary upon a
9 showing of exceptional circumstances;

10 (3) submit an application to the secretary, in the form and manner as
11 designated by the secretary, and provide all information requested by the
12 secretary, including, but not limited to, evidence establishing sales of more
13 than \$10,000,000 to the qualified firm for the qualified business facility as
14 required by paragraph (2). The qualified firm shall submit evidence to the
15 secretary as requested regarding the date operations at the qualified
16 business facility commenced and the sales to the qualified business facility
17 by the qualified supplier;

18 (4) if the application is approved by the secretary, enter into a binding
19 agreement with the secretary with such terms and conditions as required
20 by the secretary and the commitments required by this act, including, but
21 not limited to, providing the secretary with evidence showing the amount
22 of sales to the qualified firm for each year that an incentive is claimed. The
23 agreement shall be entered into before any benefits may be provided under
24 this act; and

25 (5) if the qualified supplier meets the requirements for the investment
26 tax credit pursuant to section 3, and amendments thereto, commit to
27 repayment of the amount of all benefits received under this act in the event
28 the requirements of this act, any rules and regulations of the secretary
29 pursuant to this act or the terms and conditions of the agreement pursuant
30 to paragraph (4) are not met and the qualified supplier is disallowed in
31 whole or in part by the secretary.

32 (e) A qualified firm or qualified supplier that is approved by the
33 secretary for incentives under this act shall not be eligible for participation
34 in the promoting employment across Kansas program, the high
35 performance incentive program or the Kansas industrial training or Kansas
36 industrial retraining programs.

37 (f) As a condition of receiving an incentive under this act, a qualified
38 firm or qualified supplier shall agree to cooperate with any audit
39 undertaken by the secretary of revenue as provided by subsection (h) and
40 to provide the secretary of commerce:

41 (1) Information required for publication in the economic development
42 incentive program information database pursuant to K.S.A. 2021 Supp. 74-
43 50,226, and amendments thereto;

1 (2) information reasonably required for the secretary's report pursuant
2 to section 9 *II*, and amendments thereto;

3 (3) information required by the secretary of commerce or the
4 secretary of revenue pursuant to subsections (g) and (h); and

5 (4) reasonable access by the secretary or the secretary's agents to the
6 qualified business facility during business hours.

7 (g) (1) The secretary shall conduct an annual review of the activities
8 undertaken by a qualified firm or qualified supplier to ensure that the
9 qualified firm or qualified supplier remains in good standing with the state
10 and in compliance with the provisions of this act, any rules and regulations
11 adopted by the secretary with respect to this act and any agreement entered
12 into pursuant to this act and continues to meet the requirements for the
13 benefits provided under this act. The secretary of commerce shall certify
14 annually to the secretary of revenue that the qualified firm meets the
15 criteria for designation as a qualified firm and is eligible for such benefits.
16 The secretary of commerce may obtain any and all information reasonably
17 necessary to determine such eligibility. Such information shall be
18 confidential to the same extent as information provided to the secretary to
19 determine eligibility pursuant to K.S.A. 74-50,131, and amendments
20 thereto.

21 (2) Confidential financial information, any trade secret or other
22 information that, if known, would place the qualified firm at a
23 disadvantage in the marketplace or would significantly interfere with the
24 purposes of this act in the judgment of the secretary that is obtained under
25 this section shall not be subject to disclosure pursuant to K.S.A. 45-215 et
26 seq., and amendments thereto, but shall upon request be made available to
27 the legislative post audit division. The provisions of this paragraph shall
28 expire on July 1, 2027, unless the legislature reviews and reenacts such
29 provisions pursuant to K.S.A. 45-229, and amendments thereto, prior to
30 July 1, 2027.

31 (h) The books and records concerning investments made, sales,
32 employment and wages of any employees for which the qualified firm,
33 qualified supplier or third party has retained any Kansas payroll
34 withholding taxes or any other financial, employee or other records that
35 pertain to eligibility for benefits or compliance with the requirements of
36 this act shall be available for inspection by the secretary or the secretary's
37 duly authorized agents or employees during business hours on at least 10
38 days' prior written notice. The secretary may request the department of
39 revenue to audit the qualified firm or qualified supplier, or a third party if
40 applicable, for compliance with the provisions of this act.

41 (i) The secretary of revenue, in consultation with the secretary of
42 commerce, shall develop a form that shall be completed annually by any
43 qualified firm or qualified supplier that received any tax benefit pursuant

1 to this section and section 3 or 4, and amendments thereto. Such form shall
2 request, at a minimum, the information required by K.S.A. 79-32,243(a)(1)
3 through (a)(6), and amendments thereto, and such other information as
4 shall reasonably be required by the secretary of revenue and the secretary
5 of commerce. The contents of the completed form shall be confidential
6 except as provided in K.S.A. 79-3234, and amendments thereto.

7 (j) The secretary of commerce or the secretary of revenue may adopt
8 rules and regulations for the implementation of this act.

9 New Sec. 3. (a) For taxable years commencing after December 31,
10 2021, a qualified firm or qualified supplier that makes a qualified business
11 investment in a qualified business facility and meets the requirements of
12 section 2, and amendments thereto, and of this section shall be allowed a
13 credit for such investment as provided by this section against the tax
14 imposed by the Kansas income tax act, the premium tax or privilege fees
15 imposed pursuant to K.S.A. 40-252, and amendments thereto, or the
16 privilege tax as measured by the net income of financial institutions
17 imposed pursuant to article 11 of chapter 79 of the Kansas Statutes
18 Annotated, and amendments thereto. The credit shall be earned by the
19 taxpayer each taxable year based on the amount of the qualified
20 investment made in that taxable year as further provided in this section.
21 The amount of the credit that is earned each taxable year shall not be
22 claimed by the taxpayer in the taxable year that such credit is earned but
23 shall be divided into three equal portions or installments. In the case of a
24 qualified firm, a $\frac{1}{3}$ portion or installment shall be claimed by the qualified
25 firm commencing with the taxable year after the credit is earned and a
26 second and third such portion or installment, respectively, shall be claimed
27 in each of the next successive two taxable years. In the case of a qualified
28 supplier, a $\frac{1}{3}$ portion or installment shall first be claimed commencing
29 with the taxable year that the qualified firm that selected the qualified
30 supplier as eligible for benefits under this act substantially completes the
31 qualified business facility, as determined by the secretary.

32 (b) The amount of the tax credit earned in a taxable year shall be up
33 to 15%, at the discretion of the secretary, of the amount of the qualified
34 investment that is invested during such taxable year. In determining such
35 percentage, the secretary shall consider factors including the extent of
36 prospective new employment, the quality of new jobs and wage or salary
37 levels, the total amount of investment, the potential for development of the
38 industry in this state and the potential for ancillary industry development
39 and indirect economic development. ***The secretary shall also consider***
40 ***factors pursuant to subsection (d).*** Such percentage shall be set forth in
41 the agreement pursuant to section 2, and amendments thereto. The total
42 qualified investment shall be completed within five taxable years
43 commencing from the date of such agreement. In the case of a qualified

1 firm, the total amount of the qualified investment shall be at least
2 \$1,000,000,000. The qualified firm or qualified supplier shall repay to the
3 state all tax credits received if the total qualified investment is not
4 completed.

5 ~~(c) The secretary of commerce shall set forth in the agreement~~
6 ~~pursuant to section 2, and amendments thereto, a percentage of the earned~~
7 ~~tax credit that may be refundable when claimed, as provided in subsection~~
8 ~~(a). The percentage shall be determined as provided in subsection (d).~~
9 ~~Such percentage of a tax credit installment may be refundable to such~~
10 ~~taxpayer if the amount of the installment claimed for that taxable year~~
11 ~~exceeds the taxpayer's tax liability for such year. The secretary shall set~~
12 ~~forth in the agreement any additional provisions, if necessary, regarding~~
13 ~~disposition of the earned tax credits. No earned tax credit shall be~~
14 ~~refundable after the three successive taxable years period that a portion or~~
15 ~~installment of such credit may be claimed. An installment portion of an~~
16 ~~earned tax credit that is not refunded~~ **remaining after such installment**
17 **has been applied against the taxpayer's tax liability** shall be carried
18 forward for application first against the taxpayer's tax liability in the next
19 successive tax year or for refund, as the case may be, within the three
20 taxable year period **of time that the earned tax credit may be claimed**. An
21 ~~installment portion of an earned tax credit that has not been applied against~~
22 ~~the taxpayer's tax liability or refunded at the end of the third successive~~
23 ~~taxable year period that installment portions of such earned tax credit may~~
24 ~~be claimed shall be forfeited.~~ **An earned tax credit, or any portion**
25 **thereof, shall not be refundable.**

26 (d) The base percentage that may be refundable in each taxable year
27 of the ⁺~~1/3~~ portion of an earned tax credit that may be claimed, as provided
28 by subsection (a), shall be 50%. The secretary may provide for an
29 additional percentage that may be refundable up to 100% of the total
30 eligible earned credit. **In addition to the factors set forth in subsection**
31 **(b),** the secretary shall base the ~~additional~~ **determination of the**
32 **percentage of the tax credit that may be earned by the taxpayer in a**
33 **taxable year** on the qualified firm or qualified supplier meeting specified
34 goals that shall be set forth in the agreement. Such goals shall include
35 targets for the:

- 36 (1) Creation of new jobs, including new jobs for suppliers;
- 37 (2) benefit to the local, regional or state economy, including the
38 development of suppliers in Kansas;
- 39 (3) amount of capital investment;
- 40 (4) benefit to the development of the qualified firm's industry in
41 Kansas; or
- 42 (5) other measures or goals, if any, of the secretary consistent with the
43 purposes of this act.

1 (e) The qualified firm or qualified supplier shall meet the
2 requirements of this act, any rules and regulations of the secretary of
3 commerce under this act and the terms of the agreement to receive a credit
4 each year that a credit is earned or an installment portion of the earned
5 credit is claimed. No credit shall be issued by the secretary of revenue
6 unless the qualified firm or qualified supplier has been certified by the
7 secretary of commerce as eligible as provided by section 2, and
8 amendments thereto, for each taxable year the credit is claimed. The
9 secretary of commerce shall provide such certifications to the secretary of
10 revenue.

11 (f) In the event the tax credit awarded to the qualified firm or
12 qualified supplier is later disallowed in whole or in part by the secretary of
13 commerce or the secretary of revenue, the qualified firm or qualified
14 supplier shall be liable for repayment to the state of the amount disallowed
15 as provided by section 2, and amendments thereto.

16 (g) As a condition for claiming credits pursuant to this section, any
17 qualified firm or qualified supplier shall provide information pursuant to
18 K.S.A. 79-32,243, and amendments thereto, as part of the tax return in
19 which such credits are claimed. Such credits shall not be denied solely on
20 the basis of the contents of the information provided by the qualified firm
21 pursuant to K.S.A. 79-32,243, and amendments thereto.

22 New Sec. 4. (a) For taxable years commencing after December 31,
23 2021, a qualified supplier that meets the requirements of section 2, and
24 amendments thereto, and this section may be eligible to retain up to 65%,
25 as determined by the secretary, of the qualified supplier's Kansas payroll
26 withholding taxes under the Kansas withholding and declaration of
27 estimated tax act for the qualified supplier's employees in a taxable year
28 that such requirements are met. This benefit shall be available for a period
29 of up to 10 successive taxable years. In determining the percentage and
30 number of successive years, the secretary shall, at a minimum, consider
31 the factors set forth in sections 3(b) and (d), and amendments thereto, as
32 applicable. Qualified suppliers that have been selected by a qualified firm
33 for benefit eligibility, and that meet the sales amount requirement, as
34 provided by section 2, and amendments thereto, may be eligible to earn
35 benefits of this section prior to the qualified firm's commencement of
36 commercial operations at the qualified business facility. Any benefits shall
37 only be awarded after the qualified firm that has selected the qualified
38 supplier for benefit eligibility commences commercial operations.

39 (b) For purposes of the benefit under this section, a qualified supplier
40 may utilize or contract with a third-party employer to perform services
41 whereby the third-party employer:

42 (1) Serves as the legal employer of the qualified supplier's employees
43 providing services to the qualified supplier;

1 (2) performs such services in Kansas; and

2 (3) is subject to, and the qualified supplier's employees are subject to,
3 the Kansas withholding and declaration of estimated tax act.

4 (c) The qualified supplier shall submit an application to the secretary
5 of commerce in the form and manner required by the secretary and provide
6 all information requested by the secretary. If approved by the secretary,
7 the qualified supplier shall enter into an agreement with the secretary, as
8 required pursuant to section 2, and amendments thereto, with such terms
9 and conditions as may be required by the secretary. In addition, the
10 agreement shall set forth the percentage of payroll withholding taxes to be
11 retained each year and any requirements or performance targets to receive
12 such benefits, as determined by the secretary. If necessary, the secretary
13 may also enter into an agreement with any third party described in
14 subsection (b), or such third party may be a party to an agreement between
15 the qualified supplier and the secretary.

16 (d) The agreement between the secretary of commerce and the
17 qualified supplier shall specify that, if the qualified supplier fails to
18 comply with the terms and conditions set forth in the agreement or fails to
19 comply with the provisions set forth in this act, the secretary may
20 terminate the agreement. If such agreement is terminated, the qualified
21 supplier shall not be entitled to any further benefits provided under this
22 section and shall be required to remit to the state an amount equal to the
23 aggregate Kansas payroll withholding taxes retained by the qualified
24 supplier, or remitted to the qualified supplier by a third party, pursuant to
25 this act as of the date the agreement is terminated.

26 (e) For each year that the agreement is in effect, the secretary of
27 commerce shall certify to the secretary of revenue:

28 (1) That the qualified supplier is eligible to receive benefits under this
29 act and the terms of the agreement;

30 (2) the number of employees;

31 (3) the amount of gross wages being paid to each such employee; and

32 (4) the percentage of payroll withholding taxes to be retained by the
33 qualified supplier.

34 (f) Any qualified supplier that has entered into an agreement with the
35 secretary of commerce pursuant to this section and section 2, and
36 amendments thereto, and is eligible to receive benefits pursuant to this
37 section, shall complete and submit to the department of revenue the
38 amount of Kansas payroll withholding tax being retained by the qualified
39 supplier in the form and manner prescribed by the director of taxation.

40 (g) The secretary of revenue and the secretary of commerce shall
41 cooperate to develop and coordinate procedures to implement the
42 provisions of this act.

43 New Sec. 5. (a) On and after July 1, 2022, a qualified firm that meets

1 the requirements of section 2, and amendments thereto, and this section
2 may be eligible for partial reimbursement of total payroll costs paid to
3 qualified business facility employees during a taxable year, as approved by
4 the secretary of commerce.

5 (b) As determined by the secretary a qualified firm shall be eligible
6 for such reimbursement commencing on the date the qualified firm:

7 (1) Enters into an agreement with the secretary as provided in section
8 2, and amendments thereto;

9 (2) commences construction of the qualified business facility; or

10 (3) commences commercial operations at the qualified business
11 facility.

12 (c) The amount of the reimbursement each year shall be up to 10%, as
13 allowed by the secretary, of the total payroll costs for that year, as
14 determined by the secretary. The secretary may grant such reimbursement
15 for up to 10 successive years. In determining the percentage and number of
16 successive years, the secretary shall, at a minimum, consider the factors set
17 forth in sections 3(b) and (d), and amendments thereto, as applicable.

18 (d) To be eligible for the reimbursement, the qualified firm shall
19 submit an application to the secretary in the form and manner required by
20 the secretary and provide all information requested by the secretary. If
21 approved by the secretary, the qualified firm shall enter into an agreement
22 with the secretary with such terms and conditions as required by the
23 secretary and this section.

24 (e) No claim for a reimbursement shall be paid unless the:

25 (1) Qualified firm has met all requirements of section 2, and
26 amendments thereto, including entering into an agreement with the
27 secretary of commerce that includes a commitment to make a qualified
28 investment in the qualified business facility of at least \$1,000,000,000
29 within a period of five taxable years;

30 (2) secretary of commerce has certified, for each year for which a
31 reimbursement is claimed, that the qualified firm meets all requirements of
32 this act, rules and regulations of the secretary, if any, and the agreement
33 entered into pursuant to section 2, and amendments thereto, and this
34 section; and

35 (3) qualified firm has filed a claim with the secretary of commerce in
36 the form and manner required by the secretary and including evidence as
37 required by the secretary showing the amount of total payroll costs for the
38 year the reimbursement is claimed.

39 (f) Subject to appropriations therefor, the allowable amount of such
40 claim as determined by the secretary shall be paid to the qualified firm
41 from the attracting powerful economic expansion payroll incentive fund,
42 established by section 6, and amendments thereto, upon warrants of the
43 director of accounts and reports pursuant to vouchers approved by the

1 secretary or by any person designated by the secretary. No interest shall be
2 allowed on any payment made to a qualified firm pursuant to this section.

3 New Sec. 6. There is hereby established in the state treasury the
4 attracting powerful economic expansion payroll incentive fund to be
5 administered by the secretary of commerce. All moneys credited to the
6 attracting powerful economic expansion payroll incentive fund shall be
7 used by the Kansas department of commerce only for purposes related to
8 partial reimbursement of qualified firms for total payroll costs pursuant to
9 the provisions of sections 2 and 5, and amendments thereto. All
10 expenditures from the attracting powerful economic expansion payroll
11 incentive fund shall be made in accordance with appropriation acts upon
12 warrants of the director of accounts and reports issued pursuant to
13 vouchers approved by the secretary of commerce or the secretary's
14 designee.

15 New Sec. 7. (a) On and after July 1, 2022, a qualified firm or a
16 qualified supplier that meets the requirements of section 2, and
17 amendments thereto, and this section and that has entered into an
18 agreement with the secretary, as provided by section 2, and amendments
19 thereto, may be eligible for reimbursement of up to 50% of training and
20 education eligible expenses for training or education completed for new
21 employees in each year for up to five successive years, and up to an annual
22 amount of \$5,000,000, as determined by the secretary and as provided by
23 this section. In determining the percentage, the number of successive years
24 and the maximum annual amount, the secretary shall, at a minimum,
25 consider the factors set forth in sections 3(b) and (d), and amendments
26 thereto, as applicable.

27 (b) (1) Qualified firms shall be eligible commencing with the year in
28 which the qualified firm enters into an agreement with the secretary, as
29 provided in section 2, and amendments thereto, commences construction
30 of the qualified business facility or commences commercial operations at
31 the qualified business facility, as determined by the secretary.

32 (2) Qualified suppliers shall be eligible commencing with the year in
33 which the qualified firm has selected the qualified supplier for benefit
34 eligibility pursuant to section 2, and amendments thereto, but shall not be
35 awarded such benefits until the qualified business facility commences
36 commercial operations.

37 (c) The qualified firm or qualified supplier shall submit an application
38 to the secretary in the form and manner required by the secretary and
39 provide all information requested by the secretary, as provided by section
40 2, and amendments thereto. If approved by the secretary, the qualified firm
41 or qualified supplier shall enter into an agreement with the secretary with
42 such terms and conditions as may be required by the secretary and
43 commitments required by this act, as provided pursuant to section 2, and

1 amendments thereto. The agreement shall set forth the maximum amount
2 of the incentive that may be received for each year and shall require an
3 annual showing of eligibility, including evidence showing the number of
4 new hires and amount of eligible training and education expense, for each
5 year the incentive is claimed.

6 (d) Subject to appropriations therefor, reimbursement in the amount
7 approved by the secretary and pursuant to the terms of the agreement and
8 the limitations of subsection (a) shall be made by the secretary from the
9 attracting powerful economic expansion new employee training and
10 education fund established in section 8, and amendments thereto, in
11 accordance with appropriation acts upon warrants of the director of
12 accounts and reports issued pursuant to vouchers approved by the
13 secretary of commerce or the secretary's designee.

14 (e) No reimbursement shall be issued unless the qualified firm or the
15 qualified supplier has been certified by the secretary, as provided in section
16 2, and amendments thereto, as meeting all requirements of this act, any
17 rules and regulations of the secretary and the agreement executed pursuant
18 to section 2, and amendments thereto.

19 New Sec. 8. There is hereby established in the state treasury the
20 attracting powerful economic expansion new employee training and
21 education fund to be administered by the secretary of commerce. All
22 moneys credited to the attracting powerful economic expansion new
23 employee training and education fund shall be used by the Kansas
24 department of commerce only for purposes related to reimbursement of
25 qualified firms and qualified suppliers for training and education eligible
26 expenses pursuant to the provisions of sections 2 and 7, and amendments
27 thereto. All expenditures from the attracting powerful economic expansion
28 new employee training and education fund shall be made in accordance
29 with appropriation acts upon warrants of the director of accounts and
30 reports issued pursuant to vouchers approved by the secretary of
31 commerce or the secretary's designee.

32 New Sec. 9. (a) The following described property, to the extent herein
33 specified, shall be exempt from 50% of all real property taxes levied under
34 the laws of Kansas: Any new manufacturing property or new headquarters
35 located in a foreign trade zone program.

36 (b) The provisions of subsection (a) shall apply from and after the
37 completion of construction of such property and continue only for a period
38 as determined by the secretary that the manufacturing operations or
39 headquarters operations continue and constitute active participation, to the
40 extent applicable, in the foreign trade zone program.

41 (c) The provisions of this section shall apply to all taxable years
42 beginning after December 31, 2021.

43 (d) As used in this section:

1 (1) "New manufacturing property" means any real property purchased
2 or constructed after December 31, 2021, that is a qualified business facility
3 owned by a qualified firm or a qualified supplier, as defined in paragraph
4 (3), provided such property is regularly used to manufacture and produce
5 goods for one or more of the following industries, as determined by the
6 secretary of commerce:

- 7 (A) Advanced manufacturing;
- 8 (B) aerospace;
- 9 (C) distribution, logistics and transportation;
- 10 (D) food and agriculture; or
- 11 (E) professional and technical services.

12 (2) "Headquarters" means the same as defined in section 1, and
13 amendments thereto, that is owned by a qualified firm or qualified
14 supplier, as defined in paragraph (3).

15 (3) "Qualified firm" or "qualified supplier" means a "qualified firm"
16 or a "qualified supplier" as defined in section 1, and amendments thereto,
17 that has met and is in compliance with the requirements of section 2, and
18 amendments thereto, including, with respect to a qualified firm, the
19 requirement of investment of at least \$1,000,000,000 over a period of five
20 years in the new manufacturing property or new headquarters property
21 located in a foreign trade zone program.

22 New Sec. 10. (a) On and after the effective date of this act, a qualified
23 firm or a qualified supplier that meets the requirements of section 2, and
24 amendments thereto, and this section may be eligible for a sales tax
25 exemption under the provisions of K.S.A. 79-3606(oooo), and
26 amendments thereto.

27 (b) (1) Qualified firms shall be eligible commencing on the date the
28 qualified firm commences construction of the qualified business facility, as
29 determined by the secretary of commerce, or an earlier date if agreed by
30 the secretary and incorporated into the agreement pursuant to section 2,
31 and amendments thereto.

32 (2) Qualified suppliers shall be eligible commencing on the date that
33 the qualified firm selected the qualified supplier for benefit eligibility
34 pursuant to section 2, and amendments thereto.

35 (c) To be eligible to receive the sales tax exemption, the qualified
36 firm or qualified supplier shall have been approved by and entered into an
37 agreement with the secretary for a qualified investment in a qualified
38 business facility ***including, with respect to a qualified firm, a***
39 ***requirement of an investment*** of at least \$1,000,000,000 pursuant to the
40 requirements of ~~sections section 2 and 3~~ ***section 2***, and amendments thereto. The
41 secretary of commerce shall provide notice to the secretary of revenue
42 regarding an approval of a sales tax exemption under this section. The
43 sales tax exemption shall be valid until construction of the qualified

1 business facility has been completed or the date specified for completion
2 of the qualified business facility in the agreement executed pursuant to
3 section 2, and amendments thereto, whichever occurs first. No sales tax
4 exemption shall be issued by the secretary of revenue unless the qualified
5 firm or the qualified supplier has been certified by the secretary of
6 commerce, as provided in section 2, and amendments thereto, as meeting
7 all requirements of this act, the rules and regulations of the secretary, if
8 any, and the agreement executed pursuant to section 2, and amendments
9 thereto.

10 (d) A sales tax exemption shall be revoked by the secretary of
11 revenue upon notification by the secretary of commerce that the qualified
12 firm or qualified supplier has been disapproved by the secretary of
13 commerce.

14 New Sec. 11. (a) On or before January 31 of each year, the secretary
15 of commerce shall transmit to the governor, the senate standing
16 committees on assessment and taxation and commerce and the house of
17 representatives standing committees on taxation and commerce, labor and
18 economic development, or any successor committee, a report based on
19 information received from each qualified firm or qualified supplier
20 receiving benefits under this act, describing, at a minimum, the following:

- 21 (1) The names of the qualified firms or qualified suppliers;
- 22 (2) the types of qualified firms or qualified suppliers utilizing the act;
- 23 (3) the location of such companies and the location, description and
24 economic and industry impact of such companies' business operations in
25 Kansas;
- 26 (4) the number of new employees hired;
- 27 (5) the wages paid for such new employees;
- 28 (6) the annual and cumulative amount of investments made;
- 29 (7) the annual amount of each benefit provided under this act;
- 30 (8) the estimated net state fiscal impact, including the direct and
31 indirect new state taxes derived from the new employees hired; and
- 32 (9) an estimate of the multiplier effect on the Kansas economy of the
33 benefits received under this act.

34 (b) Commencing on the effective date of this act, the secretary of
35 commerce shall transmit quarterly to the chairpersons of the senate
36 standing committee on commerce and the house of representatives
37 standing committee on commerce, labor and economic development, or
38 any successor committee, a report on the number of projects that may
39 qualify for incentives under this act.

40 ***New Sec. 12. (a) Commencing with fiscal year 2022, in any fiscal***
41 ***year that a qualified firm or qualified supplier receives benefits under***
42 ***the advancing powerful economic expansion act, sections 1 through 12,***
43 ***and amendments thereto, the secretary of commerce shall certify such***

1 *fact to the secretary of revenue, the director of the budget and the*
 2 *director of legislative research. Such certification shall be made when*
 3 *such fact is known to the secretary, but in any event on or before June*
 4 *30 of such fiscal year.*

5 *(b) Upon receipt of such certification, the secretary of revenue shall*
 6 *adjust the corporate income tax rate imposed pursuant to the provisions*
 7 *of K.S.A. 79-32,110, and amendments thereto, to go into effect for the*
 8 *next tax year by reducing the rate by 0.5%.*

9 *(c) The rate reduction of 0.5% shall be applied first to reduce the*
 10 *normal tax on corporations imposed pursuant to K.S.A. 79-32,110, and*
 11 *amendments thereto. Upon the normal tax on corporations being*
 12 *reduced to 0%, the rate reduction shall next be applied to the surtax on*
 13 *corporations until reduced to 0%.*

14 *(d) The secretary of revenue shall report any reduction in corporate*
 15 *income tax rates pursuant to this section to the chairpersons of the*
 16 *senate standing committees on assessment and taxation and commerce,*
 17 *the chairpersons of the house of representatives standing committees on*
 18 *commerce, labor and economic development and taxation and the*
 19 *governor, and shall cause notice of any such reduction to be published*
 20 *in the Kansas register prior to September 15 of the calendar year*
 21 *immediately preceding the tax year in which such reduction takes effect.*

22 *Sec. 13. K.S.A. 79-32,110 is hereby amended to read as follows: 79-*
 23 *32,110. (a) Resident Individuals. Except as otherwise provided by K.S.A.*
 24 *79-3220(a), and amendments thereto, a tax is hereby imposed upon the*
 25 *Kansas taxable income of every resident individual, which tax shall be*
 26 *computed in accordance with the following tax schedules:*

27 *(1) Married individuals filing joint returns.*

28 *(A) For tax year 2012:*

29 <i>If the taxable income is:</i>	<i>The tax is:</i>
30 <i>Not over \$30,000.....</i>	<i>3.5% of Kansas taxable income</i>
31 <i>Over \$30,000 but not over \$60,000.....</i>	<i>\$1,050 plus 6.25% of excess</i>
32	<i>over \$30,000</i>
33 <i>Over \$60,000.....</i>	<i>\$2,925 plus 6.45% of excess</i>
34	<i>over \$60,000</i>

35 *(B) For tax year 2013:*

36 <i>If the taxable income is:</i>	<i>The tax is:</i>
37 <i>Not over \$30,000.....</i>	<i>3.0% of Kansas taxable income</i>
38 <i>Over \$30,000.....</i>	<i>\$900 plus 4.9% of excess over</i>
39	<i>\$30,000</i>

40 *(C) For tax year 2014:*

41 <i>If the taxable income is:</i>	<i>The tax is:</i>
42 <i>Not over \$30,000.....</i>	<i>2.7% of Kansas taxable income</i>
43 <i>Over \$30,000.....</i>	<i>\$810 plus 4.8% of excess over</i>

1		\$30,000
2	(D) For tax years 2015 and 2016:	
3	If the taxable income is:	The tax is:
4	Not over \$30,000.....	2.7% of Kansas taxable income
5	Over \$30,000.....	\$810 plus 4.6% of excess over
6		\$30,000
7	(E) For tax year 2017:	
8	If the taxable income is:	The tax is:
9	Not over \$30,000.....	2.9% of Kansas taxable income
10	Over \$30,000 but not over \$60,000.....	\$870 plus 4.9% of excess over
11		\$30,000
12	Over \$60,000.....	\$2,340 plus 5.2% of excess over
13		\$60,000
14	(F) For tax year 2018, and all tax years thereafter:	
15	If the taxable income is:	The tax is:
16	Not over \$30,000.....	3.1% of Kansas taxable income
17	Over \$30,000 but not over \$60,000.....	\$930 plus 5.25% of excess
18		over \$30,000
19	Over \$60,000.....	\$2,505 plus 5.7% of excess
20		over \$60,000
21	(2) All other individuals.	
22	(A) For tax year 2012:	
23	If the taxable income is:	The tax is:
24	Not over \$15,000.....	3.5% of Kansas taxable income
25	Over \$15,000 but not over \$30,000.....	\$525 plus 6.25% of excess
26		over \$15,000
27	Over \$30,000.....	\$1,462.50 plus 6.45% of excess
28		over \$30,000
29	(B) For tax year 2013:	
30	If the taxable income is:	The tax is:
31	Not over \$15,000.....	3.0% of Kansas taxable income
32	Over \$15,000.....	\$450 plus 4.9% of excess over
33		\$15,000
34	(C) For tax year 2014:	
35	If the taxable income is:	The tax is:
36	Not over \$15,000.....	2.7% of Kansas taxable income
37	Over \$15,000.....	\$405 plus 4.8% of excess over
38		\$15,000
39	(D) For tax years 2015 and 2016:	
40	If the taxable income is:	The tax is:
41	Not over \$15,000.....	2.7% of Kansas taxable income
42	Over \$15,000.....	\$405 plus 4.6% of excess over
43		\$15,000

1 **(E) For tax year 2017:**

If the taxable income is:	The tax is:
2 Not over \$15,000.....	2.9% of Kansas taxable income
3 Over \$15,000 but not over \$30,000.....	\$435 plus 4.9% of excess over
4	\$15,000
5	
6 Over \$30,000.....	\$1,170 plus 5.2% of excess over
7	\$30,000

8 **(F) For tax year 2018, and all tax years thereafter:**

If the taxable income is:	The tax is:
9 Not over \$15,000.....	3.1% of Kansas taxable income
10 Over \$15,000 but not over \$30,000.....	\$465 plus 5.25% of excess
11	over \$15,000
12	
13 Over \$30,000.....	\$1,252.50 plus 5.7% of excess
14	over \$30,000

15 **(b) Nonresident Individuals.** *A tax is hereby imposed upon the*
 16 *Kansas taxable income of every nonresident individual, which tax shall*
 17 *be an amount equal to the tax computed under subsection (a) as if the*
 18 *nonresident were a resident multiplied by the ratio of modified Kansas*
 19 *source income to Kansas adjusted gross income.*

20 **(c) Corporations.** *A tax is hereby imposed upon the Kansas taxable*
 21 *income of every corporation doing business within this state or deriving*
 22 *income from sources within this state. Such tax shall consist of a normal*
 23 *tax and a surtax and shall be computed as follows:*

24 **(1)** *The normal tax shall be in an amount equal to 4% of the*
 25 *Kansas taxable income of such corporation; and*

26 **(2) (A)** *for tax year 2008, the surtax shall be in an amount equal to*
 27 *3.1% of the Kansas taxable income of such corporation in excess of*
 28 *\$50,000;*

29 **(B)** *for tax years 2009 and 2010, the surtax shall be in an amount*
 30 *equal to 3.05% of the Kansas taxable income of such corporation in*
 31 *excess of \$50,000; and*

32 **(C)** *for tax year 2011, and all tax years thereafter, the surtax shall*
 33 *be in an amount equal to 3% of the Kansas taxable income of such*
 34 *corporation in excess of \$50,000.*

35 **(d) Fiduciaries.** *A tax is hereby imposed upon the Kansas taxable*
 36 *income of estates and trusts at the rates provided in subsection (a)(2)*
 37 *hereof.*

38 **(e) Notwithstanding the provisions of subsections (a) and (b):** *(1)*
 39 *For tax years 2016 and 2017, married individuals filing joint returns*
 40 *with taxable income of \$12,500 or less, and all other individuals with*
 41 *taxable income of \$5,000 or less, shall have a tax liability of zero; and*
 42 *(2) for tax year 2018, and all tax years thereafter, married individuals*
 43 *filing joint returns with taxable income of \$5,000 or less, and all other*

1 *individuals with taxable income of \$2,500 or less, shall have a tax*
2 *liability of zero.*

3 *(f) No taxpayer shall be assessed penalties and interest arising from*
4 *the underpayment of taxes due to changes to the rates in subsection (a)*
5 *that became law on July 1, 2017, so long as such underpayment is*
6 *rectified on or before April 17, 2018.*

7 *(g) Tax rates imposed upon corporations provided in this section*
8 *shall be adjusted pursuant to the provisions of section 12, and*
9 *amendments thereto.*

10 Sec. ~~12~~. 14. K.S.A. 2021 Supp. 79-3606 is hereby amended to read as
11 follows: 79-3606. The following shall be exempt from the tax imposed by
12 this act:

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

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

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

1 public or private elementary or secondary school or public or private
2 nonprofit educational institution and used primarily by such school or
3 institution for nonsectarian programs and activities provided or sponsored
4 by such school or institution or in the erection, repair or enlargement of
5 buildings to be used for such purposes. The exemption herein provided
6 shall not apply to erection, construction, repair, enlargement or equipment
7 of buildings used primarily for human habitation, except that such
8 exemption shall apply to the erection, construction, repair, enlargement or
9 equipment of buildings used for human habitation by the cerebral palsy
10 research foundation of Kansas located in Wichita, Kansas, and multi
11 community diversified services, incorporated, located in McPherson,
12 Kansas;

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

1 constructed correctional institution contracted for state use and ownership
2 shall contract for the purpose of constructing, equipping, reconstructing,
3 maintaining, repairing, enlarging, furnishing or remodeling facilities, it
4 shall obtain from the state and furnish to the contractor an exemption
5 certificate for the project involved, and the contractor may purchase
6 materials for incorporation in such project. The contractor shall furnish the
7 number of such certificate to all suppliers from whom such purchases are
8 made, and such suppliers shall execute invoices covering the same bearing
9 the number of such certificate. Upon completion of the project the
10 contractor shall furnish to the political subdivision, district described in
11 subsection (s), hospital or public hospital authority, school, educational
12 institution or department of corrections concerned a sworn statement, on a
13 form to be provided by the director of taxation, that all purchases so made
14 were entitled to exemption under this subsection. As an alternative to the
15 foregoing procedure, any such contracting entity may apply to the
16 secretary of revenue for agent status for the sole purpose of issuing and
17 furnishing project exemption certificates to contractors pursuant to rules
18 and regulations adopted by the secretary establishing conditions and
19 standards for the granting and maintaining of such status. All invoices
20 shall be held by the contractor for a period of five years and shall be
21 subject to audit by the director of taxation. If any materials purchased
22 under such a certificate are found not to have been incorporated in the
23 building or other project or not to have been returned for credit or the sales
24 or compensating tax otherwise imposed upon such materials that will not
25 be so incorporated in the building or other project reported and paid by
26 such contractor to the director of taxation not later than the 20th day of the
27 month following the close of the month in which it shall be determined
28 that such materials will not be used for the purpose for which such
29 certificate was issued, the political subdivision, district described in
30 subsection (s), hospital or public hospital authority, school, educational
31 institution or the contractor contracting with the department of corrections
32 for a correctional institution concerned shall be liable for tax on all
33 materials purchased for the project, and upon payment thereof it may
34 recover the same from the contractor together with reasonable attorney
35 fees. Any contractor or any agent, employee or subcontractor thereof, who
36 shall use or otherwise dispose of any materials purchased under such a
37 certificate for any purpose other than that for which such a certificate is
38 issued without the payment of the sales or compensating tax otherwise
39 imposed upon such materials, shall be guilty of a misdemeanor and, upon
40 conviction therefor, shall be subject to the penalties provided for in K.S.A.
41 79-3615(h), and amendments thereto;

42 (e) all sales of tangible personal property or services purchased by a
43 contractor for the erection, repair or enlargement of buildings or other

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

30 (f) tangible personal property purchased by a railroad or public utility
31 for consumption or movement directly and immediately in interstate
32 commerce;

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

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

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

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

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

14 (l) all isolated or occasional sales of tangible personal property,
15 services, substances or things, except isolated or occasional sale of motor
16 vehicles specifically taxed under the provisions of K.S.A. 79-3603(o), and
17 amendments thereto;

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

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

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

43 (p) all sales of drugs dispensed pursuant to a prescription order by a

1 licensed practitioner or a mid-level practitioner as defined by K.S.A. 65-
2 1626, and amendments thereto. As used in this subsection, "drug" means a
3 compound, substance or preparation and any component of a compound,
4 substance or preparation, other than food and food ingredients, dietary
5 supplements or alcoholic beverages, recognized in the official United
6 States pharmacopeia, official homeopathic pharmacopoeia of the United
7 States or official national formulary, and supplement to any of them,
8 intended for use in the diagnosis, cure, mitigation, treatment or prevention
9 of disease or intended to affect the structure or any function of the body,
10 except that for taxable years commencing after December 31, 2013, this
11 subsection shall not apply to any sales of drugs used in the performance or
12 induction of an abortion, as defined in K.S.A. 65-6701, and amendments
13 thereto;

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

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

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

1 3522 et seq. or 19-3545, and amendments thereto, which property or
2 services are used in the construction activities, operation or maintenance of
3 the district;

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

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

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

1 at a place designated for such purpose, and all sales of food products by or
2 on behalf of any such contractor or organization for any such purpose;

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

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

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

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

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

30 (bb) all sales of used mobile homes or manufactured homes. As used
31 in this subsection: (1) "Mobile homes" and "manufactured homes" mean
32 the same as defined in K.S.A. 58-4202, and amendments thereto; and (2)
33 "sales of used mobile homes or manufactured homes" means sales other
34 than the original retail sale thereof;

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

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

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

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

40 (ff) on and after July 1, 1988, all sales of new mobile homes or
41 manufactured homes to the extent of 40% of the gross receipts, determined
42 without regard to any trade-in allowance, received from such sale. As used
43 in this subsection, "mobile homes" and "manufactured homes" mean the

1 same as defined in K.S.A. 58-4202, and amendments thereto;

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

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

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

24 (jj) all sales of tangible personal property or services, including the
25 renting and leasing of tangible personal property, purchased directly on
26 behalf of a community-based facility for people with intellectual disability
27 or mental health center organized pursuant to K.S.A. 19-4001 et seq., and
28 amendments thereto, and licensed in accordance with the provisions of
29 K.S.A. 39-2001 et seq., and amendments thereto, and all sales of tangible
30 personal property or services purchased by contractors during the time
31 period from July, 2003, through June, 2006, for the purpose of
32 constructing, equipping, maintaining or furnishing a new facility for a
33 community-based facility for people with intellectual disability or mental
34 health center located in Riverton, Cherokee County, Kansas, that would
35 have been eligible for sales tax exemption pursuant to this subsection if
36 purchased directly by such facility or center. This exemption shall not
37 apply to tangible personal property customarily used for human habitation
38 purposes;

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

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

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

3 (2) For purposes of this subsection:

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

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

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

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

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

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

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

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

30 (A) ~~To~~ Receive, transport, convey, handle, treat or store raw materials
31 in preparation of its placement on the production line;

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

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

38 (D) ~~to~~ guide, control or direct the movement of property undergoing
39 manufacturing or processing;

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

43 (F) ~~to~~ plan, manage, control or record the receipt and flow of

1 inventories of raw materials, consumables and component parts, the flow
2 of the property undergoing manufacturing or processing and the
3 management of inventories of the finished product;

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

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

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

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

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

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

24 (M) ~~to~~ control pollution at the plant or facility where the pollution is
25 produced by the manufacturing or processing operation.

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

1 also sign the exemption certificate; (E) a manufacturing or processing
2 business' laboratory equipment that is not located at the plant or facility,
3 but that would otherwise qualify for exemption under subsection (3)(E);
4 (F) all machinery and equipment used in surface mining activities as
5 described in K.S.A. 49-601 et seq., and amendments thereto, beginning
6 from the time a reclamation plan is filed to the acceptance of the
7 completed final site reclamation.

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

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

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

18 (C) transportation, transmission and distribution equipment not
19 primarily used in a production, warehousing or material handling
20 operation at the plant or facility, including the means of conveyance of
21 natural gas, electricity, oil or water, and equipment related thereto, located
22 outside the 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~~ *Paragraphs* (3) and (5) shall not be construed as
41 exclusive listings of the machinery and equipment that qualify or do not
42 qualify as an integral or essential part of an integrated production
43 operation. When machinery or equipment is used as an integral or essential

1 part of production operations part of the time and for nonproduction
2 purposes at other times, the primary use of the machinery or equipment
3 shall 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 that is organized for the purpose of
29 stimulating public interest in the exploration of space by providing
30 educational information, exhibits and experiences, that 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 that will admit the
34 purchaser thereof to any annual event sponsored by a nonprofit
35 organization that 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 that 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 that 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 that 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 that 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 that 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 K.S.A. 79-3615(h), and
17 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 that is used directly and primarily for
23 the purpose of producing a broadcast signal or is such that the failure of
24 the machinery or equipment to operate would cause broadcasting to cease.
25 For purposes of this subsection, machinery and equipment shall include,
26 but not be limited to, that required by rules and regulations of the federal
27 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 that 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 that would be
37 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 that 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 K.S.A. 79-3615(h), and amendments thereto.
29 Sales tax paid on and after July 1, 1998, but prior to the effective date of
30 this act upon the gross receipts received from any sale exempted by the
31 amendatory provisions of this subsection shall be refunded. Each claim for
32 a sales tax refund shall be verified and submitted to the director of taxation
33 upon forms furnished by the director and shall be accompanied by any
34 additional documentation required by the director. The director shall
35 review each claim and shall refund that amount of sales tax paid as
36 determined under the provisions of this subsection. All refunds shall be
37 paid from the sales tax refund fund upon warrants of the director of
38 accounts and reports pursuant to vouchers approved by the director or the
39 director's designee;

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

1 performance of community service by the purchaser thereof;

2 (ccc) on and after July 1, 1999, all sales of tangible personal property
3 and services purchased by a primary care clinic or health center the
4 primary purpose of which is to provide services to medically underserved
5 individuals and families, and that is exempt from federal income taxation
6 pursuant to section 501(c)(3) of the federal internal revenue code, and all
7 sales of tangible personal property or services purchased by a contractor
8 for the purpose of constructing, equipping, reconstructing, maintaining,
9 repairing, enlarging, furnishing or remodeling facilities for any such clinic
10 or center that would be exempt from taxation under the provisions of this
11 section if purchased directly by such clinic or center, except that for
12 taxable years commencing after December 31, 2013, this subsection shall
13 not apply to any sales of such tangible personal property and services
14 purchased by a primary care clinic or health center which performs any
15 abortion, as defined in K.S.A. 65-6701, and amendments thereto. Nothing
16 in this subsection shall be deemed to exempt the purchase of any
17 construction machinery, equipment or tools used in the constructing,
18 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or
19 remodeling facilities for any such clinic or center. When any such clinic or
20 center shall contract for the purpose of constructing, equipping,
21 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling
22 facilities, it shall obtain from the state and furnish to the contractor an
23 exemption certificate for the project involved, and the contractor may
24 purchase materials for incorporation in such project. The contractor shall
25 furnish the number of such certificate to all suppliers from whom such
26 purchases are made, and such suppliers shall execute invoices covering the
27 same bearing the number of such certificate. Upon completion of the
28 project the contractor shall furnish to such clinic or center concerned a
29 sworn statement, on a form to be provided by the director of taxation, that
30 all purchases so made were entitled to exemption under this subsection.
31 All invoices shall be held by the contractor for a period of five years and
32 shall be subject to audit by the director of taxation. If any materials
33 purchased under such a certificate are found not to have been incorporated
34 in the building or other project or not to have been returned for credit or
35 the sales or compensating tax otherwise imposed upon such materials that
36 will not be so incorporated in the building or other project reported and
37 paid by such contractor to the director of taxation not later than the 20th
38 day of the month following the close of the month in which it shall be
39 determined that such materials will not be used for the purpose for which
40 such certificate was issued, such clinic or center concerned shall be liable
41 for tax on all materials purchased for the project, and upon payment
42 thereof it may recover the same from the contractor together with
43 reasonable attorney fees. Any contractor or any agent, employee or

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

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

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

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

38 (ggg) all sales of tangible personal property and services purchased
39 by or on behalf of the Kansas academy of science, which is exempt from
40 federal income taxation pursuant to section 501(c)(3) of the federal
41 internal revenue code of 1986, and used solely by such academy for the
42 preparation, publication and dissemination of education materials;

43 (hhh) all sales of tangible personal property and services purchased

1 by or on behalf of all domestic violence shelters that are member agencies
2 of the Kansas coalition against sexual and domestic violence;

3 (iii) all sales of personal property and services purchased by an
4 organization that is exempt from federal income taxation pursuant to
5 section 501(c)(3) of the federal internal revenue code of 1986, and such
6 personal property and services are used by any such organization in the
7 collection, storage and distribution of food products to nonprofit
8 organizations that distribute such food products to persons pursuant to a
9 food distribution program on a charitable basis without fee or charge, and
10 all sales of tangible personal property or services purchased by a
11 contractor for the purpose of constructing, equipping, reconstructing,
12 maintaining, repairing, enlarging, furnishing or remodeling facilities used
13 for the collection and storage of such food products for any such
14 organization which is exempt from federal income taxation pursuant to
15 section 501(c)(3) of the federal internal revenue code of 1986, that would
16 be exempt from taxation under the provisions of this section if purchased
17 directly by such organization. Nothing in this subsection shall be deemed
18 to exempt the purchase of any construction machinery, equipment or tools
19 used in the constructing, equipping, reconstructing, maintaining, repairing,
20 enlarging, furnishing or remodeling facilities for any such organization.
21 When any such organization 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 organization
30 concerned a sworn statement, on a form to be provided by the director of
31 taxation, that all purchases so made were entitled to exemption under this
32 subsection. All invoices shall be held by the contractor for a period of five
33 years and shall be subject to audit by the director of taxation. If any
34 materials purchased under such a certificate are found not to have been
35 incorporated in such facilities or not to have been returned for credit or the
36 sales or compensating tax otherwise imposed upon such materials that will
37 not be so incorporated in such facilities reported and paid by such
38 contractor to the director of taxation not later than the 20th day of the
39 month following the close of the month in which it shall be determined
40 that such materials will not be used for the purpose for which such
41 certificate was issued, such organization concerned shall be liable for tax
42 on all materials purchased for the project, and upon payment thereof it
43 may recover the same from the contractor together with reasonable

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

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

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

42 (mmm) all sales of tangible personal property purchased by or on
43 behalf of the Marillac center, inc., which is exempt from federal income

1 taxation pursuant to section 501(c)(3) of the federal internal revenue code,
2 for the purpose of providing psycho-social-biological and special
3 education services to children, and all sales of any such property by or on
4 behalf of such organization for such purpose;

5 (nnn) all sales of tangible personal property and services purchased
6 by the west Sedgwick county-sunrise rotary club and sunrise charitable
7 fund for the purpose of constructing a boundless playground which is an
8 integrated, barrier free and developmentally advantageous play
9 environment for children of all abilities and disabilities;

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

14 (ppp) all sales of tangible personal property and services purchased
15 by or on behalf of a homeless shelter that is exempt from federal income
16 taxation pursuant to section 501(c)(3) of the federal income tax code of
17 1986, and used by any such homeless shelter to provide emergency and
18 transitional housing for individuals and families experiencing
19 homelessness, and all sales of any such property by or on behalf of any
20 such homeless shelter for any such purpose;

21 (qqq) all sales of tangible personal property and services purchased
22 by TLC for children and families, inc., hereinafter referred to as TLC,
23 which is exempt from federal income taxation pursuant to section 501(c)
24 (3) of the federal internal revenue code of 1986, and such property and
25 services are used for the purpose of providing emergency shelter and
26 treatment for abused and neglected children as well as meeting additional
27 critical needs for children, juveniles and family, and all sales of any such
28 property by or on behalf of TLC for any such purpose; and all sales of
29 tangible personal property or services purchased by a contractor for the
30 purpose of constructing, maintaining, repairing, enlarging, furnishing or
31 remodeling facilities for the operation of services for TLC for any such
32 purpose that would be exempt from taxation under the provisions of this
33 section if purchased directly by TLC. Nothing in this subsection shall be
34 deemed to exempt the purchase of any construction machinery, equipment
35 or tools used in the constructing, maintaining, repairing, enlarging,
36 furnishing or remodeling such facilities for TLC. When TLC contracts for
37 the purpose of constructing, maintaining, repairing, enlarging, furnishing
38 or remodeling such facilities, it shall obtain from the state and furnish to
39 the contractor an exemption certificate for the project involved, and the
40 contractor may purchase materials for incorporation in such project. The
41 contractor shall furnish the number of such certificate to all suppliers from
42 whom such purchases are made, and such suppliers shall execute invoices
43 covering the same bearing the number of such certificate. Upon

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

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

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

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

35 (ttt) all sales of tangible personal property or services purchased by a
36 contractor for a project for the purpose of restoring, constructing,
37 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or
38 remodeling a home or facility owned by a nonprofit museum that has been
39 granted an exemption pursuant to subsection (qq), which such home or
40 facility is located in a city that has been designated as a qualified
41 hometown pursuant to the provisions of K.S.A. 75-5071 et seq., and
42 amendments thereto, and which such project is related to the purposes of
43 K.S.A. 75-5071 et seq., and amendments thereto, and that would be

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

37 (uuu) all sales of tangible personal property and services purchased
38 by Kansas children's service league, hereinafter referred to as KCSL,
39 which is exempt from federal income taxation pursuant to section 501(c)
40 (3) of the federal internal revenue code of 1986, and which such property
41 and services are used for the purpose of providing for the prevention and
42 treatment of child abuse and maltreatment as well as meeting additional
43 critical needs for children, juveniles and family, and all sales of any such

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

39 (vvv) all sales of tangible personal property or services, including the
40 renting and leasing of tangible personal property or services, purchased by
41 jazz in the woods, inc., a Kansas corporation that is exempt from federal
42 income taxation pursuant to section 501(c)(3) of the federal internal
43 revenue code, for the purpose of providing jazz in the woods, an event

1 benefiting children-in-need and other nonprofit charities assisting such
2 children, and all sales of any such property by or on behalf of such
3 organization for such purpose;

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

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

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

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

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

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

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

36 (bbbb) all sales of entry or participation fees, charges or tickets by
37 Guadalupe health foundation, which is exempt from federal income
38 taxation pursuant to section 501(c)(3) of the federal internal revenue code,
39 for such organization's annual fundraising event which purpose is to
40 provide health care services for uninsured workers;

41 (cccc) all sales of tangible personal property or services purchased by
42 or on behalf of wayside waifs, inc., which is exempt from federal income
43 taxation pursuant to section 501(c)(3) of the federal internal revenue code,

1 for the purpose of providing such organization's annual fundraiser, an
2 event whose purpose is to support the care of homeless and abandoned
3 animals, animal adoption efforts, education programs for children and
4 efforts to reduce animal over-population and animal welfare services, and
5 all sales of any such property, including entry or participation fees or
6 charges, by or on behalf of such organization for such purpose;

7 (dddd) all sales of tangible personal property or services purchased
8 by or on behalf of goodwill industries or Easter seals of Kansas, inc., both
9 of which are exempt from federal income taxation pursuant to section
10 501(c)(3) of the federal internal revenue code, for the purpose of providing
11 education, training and employment opportunities for people with
12 disabilities and other barriers to employment;

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

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

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

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

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

1 the contractor for a period of five years and shall be subject to audit by the
2 director of taxation. Any contractor or any agent, employee or
3 subcontractor of the contractor, who shall use or otherwise dispose of any
4 materials, machinery or equipment purchased under such a certificate for
5 any purpose other than that for which such a certificate is issued without
6 the payment of the sales or compensating tax otherwise imposed thereon,
7 shall be guilty of a misdemeanor and, upon conviction therefor, shall be
8 subject to the penalties provided for in K.S.A. 79-3615(h), and
9 amendments thereto;

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

1 for which such a certificate is issued without the payment of the sales or
2 compensating tax otherwise imposed upon such materials, shall be guilty
3 of a misdemeanor and, upon conviction, shall be subject to the penalties
4 provided for in K.S.A. 79-3615(h), and amendments thereto;

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

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

17 (llll) all sales of tangible personal property and services purchased by
18 Gove county healthcare endowment foundation, inc., which is exempt
19 from federal income taxation pursuant to section 501(c)(3) of the federal
20 internal revenue code of 1986, and which such property and services are
21 used for the purpose of constructing and equipping an airport in Quinter,
22 Kansas, and all sales of tangible personal property or services purchased
23 by a contractor for the purpose of constructing and equipping an airport in
24 Quinter, Kansas, for such organization, that 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 or equipping of facilities for such organization. When such
29 organization shall contract for the purpose of constructing or equipping an
30 airport in Quinter, Kansas, it shall obtain from the state and furnish to the
31 contractor an exemption certificate for the project involved, and the
32 contractor may purchase materials for incorporation in such project. The
33 contractor shall furnish the number of such certificate to all suppliers from
34 whom such purchases are made, and such suppliers shall execute invoices
35 covering the same bearing the number of such certificate. Upon
36 completion of the project, the contractor shall furnish to such organization
37 concerned a sworn statement, on a form to be provided by the director of
38 taxation, that all purchases so made were entitled to exemption under this
39 subsection. All invoices shall be held by the contractor for a period of five
40 years and shall be subject to audit by the director of taxation. If any
41 materials purchased under such a certificate are found not to have been
42 incorporated in such facilities or not to have been returned for credit or the
43 sales or compensating tax otherwise imposed upon such materials that will

1 not be so incorporated in such facilities reported and paid by such
2 contractor to the director of taxation no later than the 20th day of the month
3 following the close of the month in which it shall be determined that such
4 materials will not be used for the purpose for which such certificate was
5 issued, such organization concerned shall be liable for tax on all materials
6 purchased for the project, and upon payment thereof it may recover the
7 same from the contractor together with reasonable attorney fees. Any
8 contractor or any agent, employee or subcontractor thereof, who purchased
9 under such a certificate for any purpose other than that for which such a
10 certificate is issued without the payment of the sales or compensating tax
11 otherwise imposed upon such materials, shall be guilty of a misdemeanor
12 and, upon conviction therefor, shall be subject to the penalties provided for
13 in K.S.A. 79-3615(h), and amendments thereto. The provisions of this
14 subsection shall expire and have no effect on and after July 1, 2019;

15 (mmmm) all sales of gold or silver coins; and palladium, platinum,
16 gold or silver bullion. For the purposes of this subsection, "bullion" means
17 bars, ingots or commemorative medallions of gold, silver, platinum,
18 palladium, or a combination thereof, for which the value of the metal
19 depends on its content and not the form; ~~and~~

20 (nnnn) all sales of tangible personal property or services purchased
21 by friends of hospice of Jefferson county, an organization that is exempt
22 from federal income taxation pursuant to section 501(c)(3) of the federal
23 internal revenue code of 1986, for the purpose of providing support to the
24 Jefferson county hospice agency in end-of-life care of Jefferson county
25 families, friends and neighbors, and all sales of entry or participation fees,
26 charges or tickets by friends of hospice of Jefferson county for such
27 organization's fundraising event for such purpose; *and*

28 (oooo) *all sales of tangible personal property or services purchased*
29 ~~on or after July 1, 2022,~~ *for the purpose of and in conjunction with*
30 *constructing, reconstructing, enlarging or remodeling a qualified business*
31 *facility by a qualified firm or qualified supplier that meets the*
32 *requirements established in sections 2 and 10, and amendments thereto,*
33 *and that has been approved for a project exemption certificate by the*
34 *secretary of commerce, and the sale and installation of machinery and*
35 *equipment purchased by such qualified firm or qualified supplier for*
36 *installation at any such qualified ~~building~~ business facility. When a person*
37 *shall contract for the construction, reconstruction, enlargement or*
38 *remodeling of any such qualified ~~building~~ business facility, such person*
39 *shall obtain from the state and furnish to the contractor an exemption*
40 *certificate for the project involved, and the contractor may purchase*
41 *materials, machinery and equipment for incorporation in such project.*
42 *The contractor shall furnish the number of such certificates to all*
43 *suppliers from whom such purchases are made, and such suppliers shall*

1 *execute invoices covering the same bearing the number of such certificate.*
2 *Upon completion of the project, the contractor shall furnish to the owner*
3 *of the qualified firm or qualified supplier 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*
7 *the director of taxation. Any contractor or any agent, employee or*
8 *subcontractor thereof who shall use or otherwise dispose of any materials,*
9 *machinery or equipment purchased under such a certificate for any*
10 *purpose other than that for which such a certificate is issued without the*
11 *payment of the sales or compensating tax otherwise imposed thereon, shall*
12 *be guilty of a misdemeanor and, upon conviction therefor, shall be subject*
13 *to the penalties provided for in K.S.A. 79-3615(h), and amendments*
14 *thereto. As used in this subsection, "qualified business facility," "qualified*
15 *firm" and "qualified supplier" mean the same as defined in section 1, and*
16 *amendments thereto.*

17 ~~Sec. 13.~~ **15. K.S.A. 79-32,110 and K.S.A. 2021 Supp. 79-3606** ~~is~~ **are**
18 hereby repealed.

19 ~~Sec. 14.~~ **16.** This act shall take effect and be in force from and after
20 its publication in the Kansas register.