

SENATE BILL No. 325

By Committee on Ways and Means

4-6

1 AN ACT concerning economic development; enacting the transformation
2 of passenger and freight vehicle industry act; relating to tax and other
3 incentives for projects in specified industries or for a national corporate
4 headquarters with specified job requirements of at least 250 new
5 employees and specified capital investment requirements; providing for
6 a refundable income, privilege and premium tax credit for a portion of
7 any specified capital investment requirement; retention of certain
8 payroll withholding taxes; sales tax exemption for project construction;
9 establishing the transformation of passenger and freight vehicle
10 industry act new employee training and education fund; amending
11 K.S.A. 2022 Supp. 79-3606 and repealing the existing section.
12

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

14 New Section 1. (a) This act shall be known and may be cited as the
15 transformation of passenger and freight vehicle industry act.

16 (b) For purposes of the transformation of passenger and freight
17 vehicle industry act:

18 (1) "Act" means the transformation of passenger and freight vehicle
19 industry act, sections 1 through 8, and amendments thereto.

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

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

25 (4) "Commencement of commercial operations" means the date, as
26 determined by the secretary, that the qualified business facility is first
27 available for use by the qualified company or first capable of being used
28 by the qualified company in the revenue-producing enterprise in which the
29 qualified company intends to use the qualified business facility.

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

31 (A) The qualified company relocates assets that it already owns to
32 Kansas from an out-of-state location; or

33 (B) the qualified company enters into a written agreement with a third
34 party to acquire assets that provides either party with legally enforceable
35 remedies if the agreement is breached.

36 (6) "Construction" means construction, reconstruction, enlarging or

1 remodeling for the purpose of constructing a qualified business facility.

2 (7) "County median wage" means the median wage paid to
3 employees located in the county where the qualified company intends to
4 employ new employees as reported by the department of labor in its
5 annual Kansas wage survey for the previous year.

6 (8) "Department" means the department of commerce.

7 (9) "Electric motor vehicle" means a passenger or freight motor
8 vehicle primarily powered by an electric motor that draws current from
9 rechargeable storage batteries, fuel cells, photovoltaic arrays or other
10 sources of electric current and may include an electric-hybrid vehicle.

11 (10) "Headquarters" means a qualified business facility that meets the
12 following conditions:

13 (A) The main activity at the qualified business facility is providing
14 direction, management or administrative support for the operation of
15 multiple company-owned worksites or facilities that are engaged in
16 qualified activities and in which the applicant has an ownership interest
17 greater than 50%; and

18 (B) the qualified business facility is capable of being geographically
19 located anywhere.

20 (11) "Hydrogen-powered vehicle" means a passenger or freight motor
21 vehicle that uses hydrogen as a significant source of motive power, either
22 through a fuel cell or internal combustion.

23 (12) "Metropolitan county" means the county of Douglas, Johnson,
24 Leavenworth, Sedgwick, Shawnee or Wyandotte.

25 (13) "New employee" means a qualified business facility employee
26 who is newly employed by the qualified company in the qualified
27 company's business operating in Kansas during the taxable year for which
28 benefits are sought. Qualified business facility employees performing
29 functions directly related to a relocating, expanding or new business
30 facility, office, department or other operation shall be considered "new
31 employees."

32 (14) "On-the-job training" means training situations during which a
33 product or service that can be sold or used in internal operations is
34 generated.

35 (15) "Qualified activities" means engaging in industries that include,
36 but are not limited to, the following:

37 (A) Any industry in the following NAICS code groups, sectors or
38 subsectors:

39 (i) Subsector 336; or

40 (ii) industry group 335910; or

41 (B) research and development operations.

42 (16) "Qualified business facility" means a facility as defined in
43 subparagraph (C) that satisfies the requirements of subparagraphs (A) and

1 (B):

2 (A) Such facility is for use by the qualified company in the overall
3 operation of a revenue-producing enterprise. Such facility shall not be
4 considered a "qualified business facility" in the hands of the qualified
5 company if the qualified company's only activity with respect to such
6 facility is to lease it to another person or persons. If the qualified company
7 employs only a portion of such facility in the operation of a revenue-
8 producing enterprise and leases another portion of such facility to another
9 person or persons or does not otherwise use such other portions in the
10 operation of a revenue-producing enterprise, the portion employed by the
11 qualified company in the operation of a revenue-producing enterprise shall
12 be considered a "qualified business facility" if the requirements of
13 subparagraph (B) are satisfied.

14 (B) If such facility was acquired or leased by the qualified company
15 from another person or persons, the facility was not used, either
16 immediately prior to the transfer of title to the qualified company or to the
17 commencement of the term of the lease to the qualified company, by any
18 other person or persons in the operation of a revenue-producing enterprise
19 that is the same or substantially the same as the revenue-producing
20 enterprise continued by the qualified company at the facility.

21 (C) As used in this paragraph, "facility" means any factory, mill,
22 plant, refinery, warehouse, headquarters, building or complex of buildings
23 located within the state, including the land on which such facility is
24 located and all machinery, equipment and other real and tangible personal
25 property located at or within such facility used in connection with the
26 operation of such facility. "Building" means only structures within which
27 individuals are customarily employed or that are customarily used to house
28 machinery, equipment or other property.

29 (17) (A) "Qualified business facility employee" means an individual
30 employed by the qualified company at a qualified business facility project
31 site, employed full time and scheduled to work for an average minimum of
32 30 hours per week and employed for at least three consecutive months on
33 the last day of the period covered by a department of labor quarterly wage
34 report and unemployment tax return.

35 (B) "Qualified business facility employee" does not include an
36 employee at a qualified business facility project site who has not been
37 employed for three consecutive months.

38 (18) "Qualified business facility investment" or "qualified
39 investment" means the value of the real and tangible personal property,
40 except inventory or property held for sale to customers in the ordinary
41 course of the qualified company's business, that constitutes the qualified
42 business facility or that is used by the qualified company in the operation
43 of the qualified business facility, including such property used for

1 administrative or managerial functions, during the taxable years for which
2 the credit allowed by sections 2 and 3, and amendments thereto, is
3 claimed. "Qualified business facility investment" does not include any
4 building, land or other real or tangible personal property that is granted,
5 leased or transferred to the qualified company without cost to the qualified
6 company. For purposes of calculating the qualified business facility
7 investment, real or tangible personal property that is granted, leased or
8 transferred to the qualified company at a cost of less than fair market value
9 shall be reduced in value, by the difference in cost to the qualified
10 company and fair market value. The value of such property during such
11 taxable year shall be:

12 (A) Such property's original cost if owned by the qualified company;
13 or

14 (B) eight times the net annual rental rate if leased by the qualified
15 company. The net annual rental rate shall be the annual rental rate paid by
16 the qualified company less any annual rental rate received by the qualified
17 company from subrentals. The "qualified business facility investment"
18 shall be determined by dividing by 12 the sum of the total value of such
19 property on the last business day of each calendar month of the taxable
20 year. Notwithstanding the provisions of this paragraph, for the purpose of
21 computing the credit allowed by section 3, and amendments thereto, in the
22 case of a "qualified business facility investment" in a qualified business
23 facility that existed and was operated by the qualified company or a related
24 taxpayer prior to the investment, the amount of the qualified company's
25 investment shall be computed as follows: Such investment amount shall be
26 reduced by the average amount, computed as provided in this paragraph,
27 of the investment of the qualified company or a related taxpayer in the
28 facility for the taxable year preceding the taxable year in which the
29 "qualified business facility investment" was made in the facility.

30 (19) "Qualified company" means a for-profit business establishment,
31 subject to state income, sales or property taxes, that is:

32 (A) Engaged in one or more of the following industries, as defined by
33 the secretary of commerce:

34 (i) Electric or hydrogen-powered motor vehicle manufacturing;

35 (ii) battery manufacturing;

36 (iii) research and development operation; or

37 (iv) headquarters for any of the industries described in clauses (i)
38 through (iii);

39 (B) engaged in any industry or revenue-producing activity if seeking
40 benefits with respect to a qualified business facility that is the national
41 corporate headquarters of the for-profit business establishment;

42 (C) a supplier of components, sub-assemblies, chemicals or other
43 process-related tangible goods, is located in Kansas and is owned by:

1 (i) An individual, any partnership, association, limited liability
2 corporation or corporation domiciled in Kansas; or

3 (ii) any business, including any business owned by an individual, any
4 partnership, association, limited liability corporation or corporation, even
5 if the business is a wholly owned subsidiary of a foreign corporation, that
6 operates in the state of Kansas for the purpose of supplying a qualified
7 company engaged in qualified activities; and

8 (D) eligible for benefits under this act as determined by the secretary.

9 (20) "Research and development operation" means an operation that
10 is conducted solely to advance scientific and technical knowledge in any
11 qualified activity.

12 (21) "Revenue-producing enterprise" means an enterprise that creates
13 revenue subject to potential tax liability in this state.

14 (22) "Residency in Kansas" means:

15 (A) Owning, living, renting or leasing real estate in Kansas with the
16 intent to make the real estate or any other real estate in Kansas an
17 employee's primary home; and

18 (B) engaging in a trade, business or profession within Kansas.

19 (23) "Secretary" means the secretary of commerce.

20 (24) (A) "Total payroll cost" means the payroll amount defined by the
21 department of labor as total wages on the quarterly wage report and
22 unemployment tax return. For a qualified business facility, "total payroll
23 cost" during the appropriate measurement period may be combined with
24 any pretax earnings in which an employee has elected to direct to a:

25 (i) Flexible-spending plan;

26 (ii) deferred compensation plan; or

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

30 (B) "Total payroll cost" does not include company-paid costs for
31 health insurance, dental insurance and any other employee benefits that are
32 not reported to the Kansas department of labor on the employer's quarterly
33 wage report and unemployment tax return.

34 (25) (A) "Training and education eligible expense" means the amount
35 actually paid for training and education of the group of employees, or
36 portion thereof, at any Kansas community college or technical college and
37 from which the qualified company expects to derive increased productivity
38 or quality.

39 (B) "Training and education eligible expense" includes instructor
40 salaries, curriculum planning and development, materials and supplies,
41 textbooks, manuals, minor training equipment, certain training facility
42 costs and any other expenditure that is eligible under the Kansas industrial
43 training or the Kansas industrial retraining programs.

1 (C) "Training and education eligible expense" may include, subject to
2 maximum limits determined by the secretary:

3 (i) Wages of employees during eligible training; and

4 (ii) salaries of employee instructors.

5 (D) "Training and education eligible expense" does not include:

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

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

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

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

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

17 (vi) training and education costs covered by moneys or grants
18 obtained from state, federal or other government-sponsored workforce
19 training programs; and

20 (vii) training and education costs that were paid to a non-Kansas
21 college or technical college or any other entity that is not a Kansas college
22 or technical college.

23 New Sec. 2. (a) There is hereby established the transformation of
24 passenger and freight vehicle industry program to be administered by the
25 secretary of commerce. The purpose of the transformation of passenger
26 and freight vehicle industry program is to attract businesses engaged in
27 electric motor vehicle and hydrogen-powered vehicle production industries
28 to build new business facilities and operations, research and development
29 operation or new national headquarters in Kansas and to encourage the
30 development of a Kansas-based supply chain for such enterprises.

31 (b) A qualified company or qualified companies that jointly meet the
32 requirements of this act may be eligible for the following incentives as
33 approved by the secretary:

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

36 (2) retention of a percentage of total payroll tax pursuant to section 4,
37 and amendments thereto;

38 (3) reimbursement of a percentage of eligible employee training and
39 education expenses pursuant to sections 5 and 6, and amendments thereto;
40 and

41 (4) a sales tax exemption for construction costs of a qualified
42 business facility pursuant to K.S.A. 79-3606, and amendments thereto, and
43 section 7, and amendments thereto.

1 (c) To be eligible to receive an incentive listed in subsection (b), a
2 qualified company, or jointly in the case of two or more qualified
3 companies, shall meet the requirements of this act, including any
4 requirements or provisions specific to each such incentive, and any rules
5 and regulations of the secretary pursuant to this act and shall:

6 (1) Submit an application to the secretary in the form and manner
7 prescribed by the secretary that describes a project that achieves the
8 purposes of this act and includes all information as required by the
9 secretary. Two or more qualified companies may jointly submit an
10 application to meet the requirements of the act;

11 (2) complete the project described in the application within five years
12 of the date as specified in the agreement with the secretary;

13 (3) hire a minimum of 250 new employees within five years from the
14 date specified in the agreement with the secretary;

15 (4) retain new employees as specified in the agreement for a period
16 determined by the secretary;

17 (5) in the case of a qualified company that submits an application to
18 construct a qualified business facility for an electric or hydrogen motor
19 vehicle assembly operation project, make a qualified business facility
20 investment of at least \$250,000,000 to be completed within five years of
21 such date as specified in the agreement with the secretary made pursuant
22 to this section and commence commercial operations within five years of
23 either the commitment to invest or the date as specified in the agreement.
24 This capital investment requirement shall not apply to other eligible
25 applicants;

26 (6) 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 when investment will commence;

31 (7) if the application is approved by the secretary, enter into a binding
32 agreement with the secretary with such terms and conditions as required
33 by the secretary and including the commitments required by this act. The
34 agreement shall be entered into before any benefits may be provided under
35 this act. The secretary shall not enter into an agreement with any qualified
36 company after December 31, 2026; and

37 (8) commit to repayment of any benefit or benefits received,
38 connected to or associated with a term or a condition of the agreement that
39 has been breached as determined by the secretary and the forfeiture of any
40 such earned benefits and the suspension or cessation of such future
41 benefits for as long as the breach is not corrected.

42 (d) (1) The secretary shall conduct an annual review of the activities
43 undertaken by a qualified company or qualified companies to ensure that

1 the qualified company or qualified companies:

2 (A) Remain in good standing with the state;

3 (B) remain in compliance with the provisions of this act, any rules
4 and regulations adopted by the secretary with respect to this act and any
5 agreement entered into pursuant to this act; and

6 (C) continue to meet the requirements for the benefits provided under
7 this act.

8 (2) The secretary of commerce shall certify annually to the secretary
9 of revenue that the qualified company or qualified companies meet the
10 criteria for designation as a qualified company or qualified companies and
11 are eligible for such benefits. The secretary of commerce may obtain any
12 and all information reasonably necessary to determine such eligibility.
13 Such information shall be confidential to the same extent as information
14 provided to the secretary to determine eligibility pursuant to K.S.A.74-
15 50,131, and amendments thereto.

16 (3) Confidential financial information, any trade secret or other
17 information that, if known, would place the qualified company or qualified
18 companies at a disadvantage in the marketplace or would significantly
19 interfere with the purposes of this act in the judgment of the secretary that
20 is obtained under this section shall not be subject to disclosure pursuant to
21 K.S.A. 45-215 et seq., and amendments thereto, but shall be made
22 available to the division of legislative post audit upon request. The
23 provisions of this paragraph shall expire on July 1, 2030, unless the
24 legislature reviews and reenacts such provisions pursuant to K.S.A. 45-
25 229, and amendments thereto.

26 (e) (1) The books and records concerning investments made, sales,
27 employment and wages of any employees for which the qualified company
28 or qualified companies or third party has retained any Kansas payroll
29 withholding taxes or any other financial, employee or other records that
30 pertain to eligibility for benefits or compliance with the requirements of
31 this act shall be available for inspection by the secretary or the secretary's
32 duly authorized agents or employees.

33 (2) (A) Any inspection conducted pursuant to paragraph (1) shall be
34 started and completed within business hours.

35 (B) The secretary shall provide written notice to the qualified
36 company or qualified companies or third party of any such upcoming
37 inspection 10 days before such inspection is conducted.

38 (3) The secretary may request the department of revenue to audit the
39 qualified company or qualified companies, or a third party if applicable,
40 for compliance with the provisions of this act.

41 (f) 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 company that received any tax benefit pursuant to this section

1 and section 3 or 4, and amendments thereto. Such form shall require, at a
2 minimum, the information required by K.S.A. 79-32,243(a)(1) through (a)
3 (6), and amendments thereto, any other information as shall reasonably be
4 required by the secretary of revenue and the secretary of commerce. The
5 contents of the completed form shall be confidential except as provided in
6 K.S.A. 79-32,234, and amendments thereto.

7 (g) 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) (1) For taxable years commencing after January 1,
10 2024, a qualified company that makes a qualified business investment in a
11 qualified business facility and meets the requirements of section 2, and
12 amendments thereto, and of this section shall be allowed a credit for such
13 investment as provided by this section against the tax imposed by the
14 Kansas income tax act, the premium tax or privilege fees imposed
15 pursuant to K.S.A. 40-252, and amendments thereto, or the privilege tax as
16 measured by the net income of financial institutions imposed pursuant to
17 article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments
18 thereto. The credit shall be earned by the taxpayer each taxable year based
19 on the amount of the qualified investment made in that taxable year as
20 further provided in this section. The entire amount of the credit that is
21 earned each taxable year shall not be claimed by the taxpayer in the
22 taxable year that such credit is earned but shall be divided into equal
23 portions or installments, as determined by the secretary. A portion or
24 installment shall be claimed by the qualified company commencing with
25 the taxable year after the credit is earned and an equivalent amount of such
26 portion or installment shall be claimed in each of the next successive
27 taxable years for not less than a total of five taxable years, as determined
28 by the secretary.

29 (2) The amount of the tax credit earned in a taxable year pursuant to
30 this subsection shall be up to 10%, at the discretion of the secretary, of the
31 entire amount of the qualified investment that is invested during such
32 taxable year, except for qualified investments for eligible projects located
33 outside of a metropolitan county. For eligible projects located outside of a
34 metropolitan county, the amount of the tax credit earned in a taxable year
35 shall be 10%. Such percentage shall be set forth in the agreement pursuant
36 to section 2, and amendments thereto. The total qualified investment shall
37 be completed within five years commencing from the date specified in the
38 agreement. The total amount of the qualified investment shall be at least
39 \$250,000,000 for a qualified company that submits an application to
40 construct a qualified business facility for an electric or hydrogen motor
41 vehicle assembly operation project and shall repay to the state all tax
42 credits received if the total qualified investment is not completed at the
43 project completion date as specified in the agreement.

1 (b) The secretary of commerce shall set forth in the agreement
2 entered into pursuant to section 2, and amendments thereto, a percentage
3 of the earned tax credit that may be refundable when claimed. Such
4 percentage of a tax credit installment may be refundable to such taxpayer
5 if the amount of the tax credit claimed for that taxable year exceeds the
6 taxpayer's tax liability for such year. The secretary shall set forth in the
7 agreement any additional provisions, if necessary, regarding the
8 disposition of the earned tax credits. No earned tax credit shall be
9 refundable after the taxable year period that such credit may be claimed, as
10 determined by the secretary.

11 (c) The qualified company or qualified companies shall meet the
12 requirements of this act, any rules and regulations of the secretary of
13 commerce under this act and the terms of the agreement to receive a credit
14 each year that a credit is earned or an installment portion of the earned
15 credit is claimed. No credit shall be issued by the secretary of revenue
16 unless the qualified company or qualified companies has been certified by
17 the secretary of commerce as eligible as provided by section 2, and
18 amendments thereto, for each taxable year that the credit is claimed. The
19 secretary of commerce shall provide such certifications to the secretary of
20 revenue.

21 (d) If the qualified company or qualified companies breach the terms
22 and conditions of the agreement entered into pursuant to section 2, and
23 amendments thereto, and fail to reach at least 90% of the qualified
24 investment required under section 2, and amendments thereto, the
25 qualified company or qualified companies shall be liable for repayment of
26 the amount of the tax credits to the state and all other benefits received
27 under this act as provided by section 2, and amendments thereto.

28 (e) As a condition for claiming credits pursuant to this section, any
29 qualified company or qualified companies shall provide information
30 pursuant to K.S.A. 79-32,243, and amendments thereto, as part of the tax
31 return in which such credits are claimed. Such credits shall not be denied
32 solely on the basis of the contents of the information provided by a
33 qualified company pursuant to K.S.A. 79-32,243, and amendments thereto.

34 New Sec. 4. (a) For taxable years commencing after January 1, 2024,
35 a qualified company that meets the requirements of section 2, and
36 amendments thereto, and this section may be eligible to retain up to 100%,
37 as determined by the secretary, of the qualified company's Kansas payroll
38 withholding taxes under the Kansas withholding and declaration of
39 estimated tax act for the qualified company's employees in a taxable year
40 that the qualified company maintains a median wage or average wage paid
41 to the new employees that is equal to or greater than 120% of the county
42 median wage throughout the term of the agreement with the secretary as
43 provided in section 2, and amendments thereto. This benefit shall be

1 available for a period of up to 10 successive taxable years, as determined
2 by the secretary. A qualified company or qualified companies shall be
3 eligible to earn benefits of this section commencing on the date that the
4 qualified company or qualified companies enter into an agreement with the
5 secretary as provided in section 2, and amendments thereto, or a date as
6 determined by the secretary, but not later than three calendar years after
7 the year the qualified company enters into the agreement with the secretary
8 as provided in section 2, and amendments thereto.

9 (b) If approved by the secretary, a qualified company shall enter into
10 an agreement with the secretary, as required pursuant to section 2, and
11 amendments thereto, with such terms and conditions as may be required
12 by the secretary. In addition, the agreement shall set forth the percentage of
13 payroll withholding taxes to be retained each year and any requirements or
14 performance targets to receive such benefits, as determined by the
15 secretary.

16 (c) The agreement between the secretary of commerce and a qualified
17 company shall specify that, if a qualified company breaches the terms and
18 conditions set forth in the agreement and is unable to hire and or retain a
19 minimum of 90% of the number of new employees as specified in the
20 agreement and as required pursuant to section 2, and amendments thereto,
21 a qualified company shall be required to remit to the state an amount that
22 shall be determined by comparing the shortfall in job creation and
23 retention, expressed as a percentage, to the amount of the aggregate
24 Kansas payroll withholding taxes retained by the qualified company or
25 remitted to the qualified company by a third party, as provided by section
26 2, and amendments thereto.

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

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

31 (2) the number of employees;

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

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

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

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

1 New Sec. 5. (a) On and after July 1, 2023, a qualified company that
2 meets the requirements of section 2, and amendments thereto, and this
3 section and that has entered into an agreement with the secretary, as
4 provided by section 2, and amendments thereto, may be eligible for
5 reimbursement for up to one year of training and education eligible
6 expenses for training or education completed by each new employee, as
7 determined by the secretary and as provided by this section. The maximum
8 amount of reimbursement paid to a qualified company shall be \$5,000,000
9 per qualifying project.

10 (b) A qualified company shall be eligible commencing on the date the
11 qualified company enters into an agreement with the secretary as provided
12 in section 2, and amendments thereto, or as determined by the secretary.
13 Only training and education expenses for new employees that can establish
14 residency in Kansas at the completion of the training or education program
15 and are employed at a qualified business facility of a qualified company
16 that is located and operating in Kansas shall be eligible for reimbursement.

17 (c) If approved by the secretary, the qualified company shall enter
18 into an agreement with the secretary with such terms and conditions as
19 may be required by the secretary and commitments required by this act, as
20 provided pursuant to section 2, and amendments thereto. The agreement
21 shall require an annual showing of eligibility, including evidence showing
22 the number of new hires, amount of eligible training and education
23 expense and state residency of the employee trainee at the completion of
24 the training, for each year that the incentive is claimed.

25 (d) Subject to appropriations therefor, reimbursement in the amount
26 approved by the secretary and pursuant to the terms of the agreement and
27 the limitations of subsection (a) shall be made by the secretary from the
28 transformation of passenger and freight vehicle industry act new employee
29 training and education fund established in section 6, and amendments
30 thereto, in accordance with appropriation acts upon warrants of the
31 director of accounts and reports issued pursuant to vouchers approved by
32 the secretary of commerce or the secretary's designee.

33 (e) No reimbursement shall be issued unless the qualified company
34 can demonstrate that the employee trainee has established Kansas
35 residency by the completion date of their training and has been certified by
36 the secretary, as provided in section 2, and amendments thereto, as meeting
37 all requirements of this act, any rules and regulations of the secretary and
38 the agreement executed pursuant to section 2, and amendments thereto.

39 (f) If a qualified company breaches the terms and conditions of the
40 agreement pursuant to section 2, and amendments thereto, reimbursements
41 shall be repaid to the state as provided by section 2, and amendments
42 thereto.

43 New Sec. 6. There is hereby established in the state treasury the

1 transformation of passenger and freight vehicle industry act new employee
2 training and education fund to be administered by the secretary of
3 commerce. All moneys credited to the transformation of passenger and
4 freight vehicle industry act new employee training and education fund
5 shall be used by the Kansas department of commerce for reimbursement to
6 qualified companies for training and education eligible expenses pursuant
7 to the provisions of sections 2 and 5, and amendments thereto. All
8 expenditures from the transformation of passenger and freight vehicle
9 industry act new employee training and education fund shall be made in
10 accordance with appropriation acts upon warrants of the director of
11 accounts and reports issued pursuant to vouchers approved by the
12 secretary of commerce or the secretary's designee.

13 New Sec. 7. (a) On and after July 1, 2023, a qualified company that
14 meets the requirements of section 2, and amendments thereto, and this
15 section may be eligible for a sales tax exemption under the provisions of
16 K.S.A. 79-3606(oooo), and amendments thereto.

17 (b) Qualified companies that satisfy the requirements set forth in
18 subsection (c) shall qualify for the sales tax exemption commencing on the
19 date that the qualified company commences construction of the qualified
20 business facility, as determined by the secretary of commerce, or an earlier
21 date if agreed by the secretary and incorporated into the agreement
22 pursuant to section 2, and amendments thereto.

23 (c) To be eligible to receive the sales tax exemption, the qualified
24 company shall have been approved by and entered into an agreement with
25 the secretary pursuant to the requirements of this act. The secretary of
26 commerce shall provide notice to the secretary of revenue regarding an
27 approval of a sales tax exemption under this section. The sales tax
28 exemption shall be valid until construction of the qualified business
29 facility has been completed as certified by the secretary of commerce to
30 the secretary of revenue or the date specified for completion of the
31 qualified business facility in the agreement executed pursuant to section 2,
32 and amendments thereto, whichever occurs first. No sales tax exemption
33 shall be issued by the secretary of revenue unless the qualified company or
34 qualified companies has been certified by the secretary of commerce, as
35 provided in section 2, and amendments thereto, as meeting all
36 requirements of this act, the rules and regulations of the secretary, if any,
37 and the agreement executed pursuant to section 2, and amendments
38 thereto.

39 (d) A sales tax exemption shall be revoked by the secretary of
40 revenue upon notification by the secretary of commerce that the qualified
41 company has been disapproved by the secretary of commerce.

42 (e) If a qualified company breaches the terms and conditions of the
43 agreement pursuant to section 2, and amendments thereto, and is unable to

1 hire and or retain a minimum of 90% of the number of new employees as
2 specified in the agreement and as required pursuant to section 2, and
3 amendments thereto, a qualified company shall be required to remit to the
4 state an amount that shall be determined by comparing the shortfall in job
5 creation and retention, expressed as a percentage, to the amount of the
6 sales tax exemption as provided by section 2, and amendments thereto.

7 New Sec. 8. (a) On or before January 31 of each year, the secretary of
8 commerce shall transmit to the governor, the senate standing committees
9 on assessment and taxation and commerce and the house of representatives
10 standing committees on taxation and commerce, labor and economic
11 development, or any successor committing, a report based on information
12 received from each qualified company receiving benefits under this act,
13 describing, at a minimum, the following:

- 14 (1) The names of the qualified companies;
- 15 (2) the types of qualified companies utilizing the act;
- 16 (3) the location of such companies and the location, description and
17 economic and industry impact of such companies' business operations in
18 Kansas;
- 19 (4) the cumulative number of new employees hired and the new
20 employees hired in that calendar year, with respect to each qualified
21 company;
- 22 (5) the number of employees who reside in Kansas and the number of
23 employees who reside in other states, designated with respect to each other
24 state and, if available, the number of employees who have relocated to
25 Kansas from another state;
- 26 (6) the wages paid for such new employees;
- 27 (7) the annual and cumulative amount of investments made;
- 28 (8) the annual amount of each benefit provided under this act;
- 29 (9) the estimated net state fiscal impact, including the direct and
30 indirect new state taxes derived from the new employees hired;
- 31 (10) an estimate of the multiplier effect on the Kansas economy of the
32 benefits received under this act; and
- 33 (11) any material defaults by a qualified company of the terms of any
34 agreement pursuant to section 2, and amendments thereto.

35 Sec. 9. K.S.A. 2022 Supp. 79-3606 is hereby amended to read as
36 follows: 79-3606. The following shall be exempt from the tax imposed by
37 this act:

38 (a) All sales of motor-vehicle fuel or other articles upon which a sales
39 or excise tax has been paid, not subject to refund, under the laws of this
40 state except cigarettes and electronic cigarettes as defined by K.S.A. 79-
41 3301, and amendments thereto, including consumable material for such
42 electronic cigarettes, cereal malt beverages and malt products as defined
43 by K.S.A. 79-3817, and amendments thereto, including wort, liquid malt,

1 malt syrup and malt extract, that is not subject to taxation under the
2 provisions of K.S.A. 79-41a02, and amendments thereto, motor vehicles
3 taxed pursuant to K.S.A. 79-5117, and amendments thereto, tires taxed
4 pursuant to K.S.A. 65-3424d, and amendments thereto, drycleaning and
5 laundry services taxed pursuant to K.S.A. 65-34,150, and amendments
6 thereto, and gross receipts from regulated sports contests taxed pursuant to
7 the Kansas professional regulated sports act, and amendments thereto;

8 (b) all sales of tangible personal property or service, including the
9 renting and leasing of tangible personal property, purchased directly by the
10 state of Kansas, a political subdivision thereof, other than a school or
11 educational institution, or purchased by a public or private nonprofit
12 hospital, public hospital authority, nonprofit blood, tissue or organ bank or
13 nonprofit integrated community care organization and used exclusively for
14 state, political subdivision, hospital, public hospital authority, nonprofit
15 blood, tissue or organ bank or nonprofit integrated community care
16 organization purposes, except when: (1) Such state, hospital or public
17 hospital authority is engaged or proposes to engage in any business
18 specifically taxable under the provisions of this act and such items of
19 tangible personal property or service are used or proposed to be used in
20 such business; or (2) such political subdivision is engaged or proposes to
21 engage in the business of furnishing gas, electricity or heat to others and
22 such items of personal property or service are used or proposed to be used
23 in such business;

24 (c) all sales of tangible personal property or services, including the
25 renting and leasing of tangible personal property, purchased directly by a
26 public or private elementary or secondary school or public or private
27 nonprofit educational institution and used primarily by such school or
28 institution for nonsectarian programs and activities provided or sponsored
29 by such school or institution or in the erection, repair or enlargement of
30 buildings to be used for such purposes. The exemption herein provided
31 shall not apply to erection, construction, repair, enlargement or equipment
32 of buildings used primarily for human habitation, except that such
33 exemption shall apply to the erection, construction, repair, enlargement or
34 equipment of buildings used for human habitation by the cerebral palsy
35 research foundation of Kansas located in Wichita, Kansas, and multi
36 community diversified services, incorporated, located in McPherson,
37 Kansas;

38 (d) all sales of tangible personal property or services purchased by a
39 contractor for the purpose of constructing, equipping, reconstructing,
40 maintaining, repairing, enlarging, furnishing or remodeling facilities for
41 any public or private nonprofit hospital or public hospital authority, public
42 or private elementary or secondary school, a public or private nonprofit
43 educational institution, state correctional institution including a privately

1 constructed correctional institution contracted for state use and ownership,
2 that would be exempt from taxation under the provisions of this act if
3 purchased directly by such hospital or public hospital authority, school,
4 educational institution or a state correctional institution; and all sales of
5 tangible personal property or services purchased by a contractor for the
6 purpose of constructing, equipping, reconstructing, maintaining, repairing,
7 enlarging, furnishing or remodeling facilities for any political subdivision
8 of the state or district described in subsection (s), the total cost of which is
9 paid from funds of such political subdivision or district and that would be
10 exempt from taxation under the provisions of this act if purchased directly
11 by such political subdivision or district. Nothing in this subsection or in
12 the provisions of K.S.A. 12-3418, and amendments thereto, shall be
13 deemed to exempt the purchase of any construction machinery, equipment
14 or tools used in the constructing, equipping, reconstructing, maintaining,
15 repairing, enlarging, furnishing or remodeling facilities for any political
16 subdivision of the state or any such district. As used in this subsection,
17 K.S.A. 12-3418 and 79-3640, and amendments thereto, "funds of a
18 political subdivision" shall mean general tax revenues, the proceeds of any
19 bonds and gifts or grants-in-aid. Gifts shall not mean funds used for the
20 purpose of constructing, equipping, reconstructing, repairing, enlarging,
21 furnishing or remodeling facilities that are to be leased to the donor. When
22 any political subdivision of the state, district described in subsection (s),
23 public or private nonprofit hospital or public hospital authority, public or
24 private elementary or secondary school, public or private nonprofit
25 educational institution, state correctional institution including a privately
26 constructed correctional institution contracted for state use and ownership
27 shall contract for the purpose of constructing, equipping, reconstructing,
28 maintaining, repairing, enlarging, furnishing or remodeling facilities, it
29 shall obtain from the state and furnish to the contractor an exemption
30 certificate for the project involved, and the contractor may purchase
31 materials for incorporation in such project. The contractor shall furnish the
32 number of such certificate to all suppliers from whom such purchases are
33 made, and such suppliers shall execute invoices covering the same bearing
34 the number of such certificate. Upon completion of the project the
35 contractor shall furnish to the political subdivision, district described in
36 subsection (s), hospital or public hospital authority, school, educational
37 institution or department of corrections concerned a sworn statement, on a
38 form to be provided by the director of taxation, that all purchases so made
39 were entitled to exemption under this subsection. As an alternative to the
40 foregoing procedure, any such contracting entity may apply to the
41 secretary of revenue for agent status for the sole purpose of issuing and
42 furnishing project exemption certificates to contractors pursuant to rules
43 and regulations adopted by the secretary establishing conditions and

1 standards for the granting and maintaining of such status. All invoices
2 shall be held by the contractor for a period of five years and shall be
3 subject to audit by the director of taxation. If any materials purchased
4 under such a certificate are found not to have been incorporated in the
5 building or other project or not to have been returned for credit or the sales
6 or compensating tax otherwise imposed upon such materials that will not
7 be so incorporated in the building or other project reported and paid by
8 such contractor to the director of taxation not later than the 20th day of the
9 month following the close of the month in which it shall be determined
10 that such materials will not be used for the purpose for which such
11 certificate was issued, the political subdivision, district described in
12 subsection (s), hospital or public hospital authority, school, educational
13 institution or the contractor contracting with the department of corrections
14 for a correctional institution concerned shall be liable for tax on all
15 materials purchased for the project, and upon payment thereof it may
16 recover the same from the contractor together with reasonable attorney
17 fees. Any contractor or any agent, employee or subcontractor thereof, who
18 shall use or otherwise dispose of any materials purchased under such a
19 certificate for any purpose other than that for which such a certificate is
20 issued without the payment of the sales or compensating tax otherwise
21 imposed upon such materials, shall be guilty of a misdemeanor and, upon
22 conviction therefor, shall be subject to the penalties provided for in K.S.A.
23 79-3615(h), and amendments thereto;

24 (e) all sales of tangible personal property or services purchased by a
25 contractor for the erection, repair or enlargement of buildings or other
26 projects for the government of the United States, its agencies or
27 instrumentalities, that would be exempt from taxation if purchased directly
28 by the government of the United States, its agencies or instrumentalities.
29 When the government of the United States, its agencies or
30 instrumentalities shall contract for the erection, repair, or enlargement of
31 any building or other project, it shall obtain from the state and furnish to
32 the contractor an exemption certificate for the project involved, and the
33 contractor may purchase materials for incorporation in such project. The
34 contractor shall furnish the number of such certificates to all suppliers
35 from whom such purchases are made, and such suppliers shall execute
36 invoices covering the same bearing the number of such certificate. Upon
37 completion of the project the contractor shall furnish to the government of
38 the United States, its agencies or instrumentalities concerned a sworn
39 statement, on a form to be provided by the director of taxation, that all
40 purchases so made were entitled to exemption under this subsection. As an
41 alternative to the foregoing procedure, any such contracting entity may
42 apply to the secretary of revenue for agent status for the sole purpose of
43 issuing and furnishing project exemption certificates to contractors

1 pursuant to rules and regulations adopted by the secretary establishing
2 conditions and standards for the granting and maintaining of such status.
3 All invoices shall be held by the contractor for a period of five years and
4 shall be subject to audit by the director of taxation. Any contractor or any
5 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;

12 (f) tangible personal property purchased by a railroad or public utility
13 for consumption or movement directly and immediately in interstate
14 commerce;

15 (g) sales of aircraft including remanufactured and modified aircraft
16 sold to persons using directly or through an authorized agent such aircraft
17 as certified or licensed carriers of persons or property in interstate or
18 foreign commerce under authority of the laws of the United States or any
19 foreign government or sold to any foreign government or agency or
20 instrumentality of such foreign government and all sales of aircraft for use
21 outside of the United States and sales of aircraft repair, modification and
22 replacement parts and sales of services employed in the remanufacture,
23 modification and repair of aircraft;

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

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

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

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

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

43 (m) all sales of tangible personal property that become an ingredient

1 or component part of tangible personal property or services produced,
2 manufactured or compounded for ultimate sale at retail within or without
3 the state of Kansas; and any such producer, manufacturer or compounder
4 may obtain from the director of taxation and furnish to the supplier an
5 exemption certificate number for tangible personal property for use as an
6 ingredient or component part of the property or services produced,
7 manufactured or compounded;

8 (n) all sales of tangible personal property that is consumed in the
9 production, manufacture, processing, mining, drilling, refining or
10 compounding of tangible personal property, the treating of by-products or
11 wastes derived from any such production process, the providing of
12 services or the irrigation of crops for ultimate sale at retail within or
13 without the state of Kansas; and any purchaser of such property may
14 obtain from the director of taxation and furnish to the supplier an
15 exemption certificate number for tangible personal property for
16 consumption in such production, manufacture, processing, mining,
17 drilling, refining, compounding, treating, irrigation and in providing such
18 services;

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

25 (p) all sales of drugs dispensed pursuant to a prescription order by a
26 licensed practitioner or a mid-level practitioner as defined by K.S.A. 65-
27 1626, and amendments thereto. As used in this subsection, "drug" means a
28 compound, substance or preparation and any component of a compound,
29 substance or preparation, other than food and food ingredients, dietary
30 supplements or alcoholic beverages, recognized in the official United
31 States pharmacopeia, official homeopathic pharmacopoeia of the United
32 States or official national formulary, and supplement to any of them,
33 intended for use in the diagnosis, cure, mitigation, treatment or prevention
34 of disease or intended to affect the structure or any function of the body,
35 except that for taxable years commencing after December 31, 2013, this
36 subsection shall not apply to any sales of drugs used in the performance or
37 induction of an abortion, as defined in K.S.A. 65-6701, and amendments
38 thereto;

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

42 (r) all sales of oxygen delivery equipment, kidney dialysis equipment,
43 enteral feeding systems, prosthetic devices and mobility enhancing

1 equipment prescribed in writing by a person licensed to practice the
2 healing arts, dentistry or optometry, and in addition to such sales, all sales
3 of hearing aids, as defined by K.S.A. 74-5807(c), and amendments thereto,
4 and repair and replacement parts therefor, including batteries, by a person
5 licensed in the practice of dispensing and fitting hearing aids pursuant to
6 the provisions of K.S.A. 74-5808, and amendments thereto. For the
7 purposes of this subsection: (1) "Mobility enhancing equipment" means
8 equipment including repair and replacement parts to same, but does not
9 include durable medical equipment, which is primarily and customarily
10 used to provide or increase the ability to move from one place to another
11 and which is appropriate for use either in a home or a motor vehicle; is not
12 generally used by persons with normal mobility; and does not include any
13 motor vehicle or equipment on a motor vehicle normally provided by a
14 motor vehicle manufacturer; and (2) "prosthetic device" means a
15 replacement, corrective or supportive device including repair and
16 replacement parts for same worn on or in the body to artificially replace a
17 missing portion of the body, prevent or correct physical deformity or
18 malfunction or support a weak or deformed portion of the body;

19 (s) except as provided in K.S.A. 82a-2101, and amendments thereto,
20 all sales of tangible personal property or services purchased directly or
21 indirectly by a groundwater management district organized or operating
22 under the authority of K.S.A. 82a-1020 et seq., and amendments thereto,
23 by a rural water district organized or operating under the authority of
24 K.S.A. 82a-612, and amendments thereto, or by a water supply district
25 organized or operating under the authority of K.S.A. 19-3501 et seq., 19-
26 3522 et seq. or 19-3545, and amendments thereto, which property or
27 services are used in the construction activities, operation or maintenance of
28 the district;

29 (t) all sales of farm machinery and equipment or aquaculture
30 machinery and equipment, repair and replacement parts therefor and
31 services performed in the repair and maintenance of such machinery and
32 equipment. For the purposes of this subsection the term "farm machinery
33 and equipment or aquaculture machinery and equipment" shall include a
34 work-site utility vehicle, as defined in K.S.A. 8-126, and amendments
35 thereto, and is equipped with a bed or cargo box for hauling materials, and
36 shall also include machinery and equipment used in the operation of
37 Christmas tree farming but shall not include any passenger vehicle, truck,
38 truck tractor, trailer, semitrailer or pole trailer, other than a farm trailer, as
39 such terms are defined by K.S.A. 8-126, and amendments thereto. "Farm
40 machinery and equipment" includes precision farming equipment that is
41 portable or is installed or purchased to be installed on farm machinery and
42 equipment. "Precision farming equipment" includes the following items
43 used only in computer-assisted farming, ranching or aquaculture

1 production operations: Soil testing sensors, yield monitors, computers,
2 monitors, software, global positioning and mapping systems, guiding
3 systems, modems, data communications equipment and any necessary
4 mounting hardware, wiring and antennas. Each purchaser of farm
5 machinery and equipment or aquaculture machinery and equipment
6 exempted herein must certify in writing on the copy of the invoice or sales
7 ticket to be retained by the seller that the farm machinery and equipment
8 or aquaculture machinery and equipment purchased will be used only in
9 farming, ranching or aquaculture production. Farming or ranching shall
10 include the operation of a feedlot and farm and ranch work for hire and the
11 operation of a nursery;

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

15 (v) all sales of tangible personal property to any contractor for use in
16 preparing meals for delivery to homebound elderly persons over 60 years
17 of age and to homebound disabled persons or to be served at a group-
18 sitting at a location outside of the home to otherwise homebound elderly
19 persons over 60 years of age and to otherwise homebound disabled
20 persons, as all or part of any food service project funded in whole or in
21 part by government or as part of a private nonprofit food service project
22 available to all such elderly or disabled persons residing within an area of
23 service designated by the private nonprofit organization, and all sales of
24 tangible personal property for use in preparing meals for consumption by
25 indigent or homeless individuals whether or not such meals are consumed
26 at a place designated for such purpose, and all sales of food products by or
27 on behalf of any such contractor or organization for any such purpose;

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

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

42 (y) all sales of materials and services used in the repairing, servicing,
43 altering, maintaining, manufacturing, remanufacturing, or modification of

1 railroad rolling stock for use in interstate or foreign commerce under
2 authority of the laws of the United States;

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

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

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

17 (cc) all sales of tangible personal property or services purchased prior
18 to January 1, 2012, except as otherwise provided, for the purpose of and in
19 conjunction with constructing, reconstructing, enlarging or remodeling a
20 business or retail business that meets the requirements established in
21 K.S.A. 74-50,115, and amendments thereto, and the sale and installation of
22 machinery and equipment purchased for installation at any such business
23 or retail business, and all sales of tangible personal property or services
24 purchased on or after January 1, 2012, for the purpose of and in
25 conjunction with constructing, reconstructing, enlarging or remodeling a
26 business that meets the requirements established in K.S.A. 74-50,115(e),
27 and amendments thereto, and the sale and installation of machinery and
28 equipment purchased for installation at any such business. When a person
29 shall contract for the construction, reconstruction, enlargement or
30 remodeling of any such business or retail business, such person shall
31 obtain from the state and furnish to the contractor an exemption certificate
32 for the project involved, and the contractor may purchase materials,
33 machinery and equipment for incorporation in such project. The contractor
34 shall furnish the number of such certificates to all suppliers from whom
35 such purchases are made, and such suppliers shall execute invoices
36 covering the same bearing the number of such certificate. Upon
37 completion of the project the contractor shall furnish to the owner of the
38 business or retail business a sworn statement, on a form to be provided by
39 the director of taxation, that all purchases so made were entitled to
40 exemption under this subsection. All invoices shall be held by the
41 contractor for a period of five years and shall be subject to audit by the
42 director of taxation. Any contractor or any agent, employee or
43 subcontractor thereof, who shall use or otherwise dispose of any materials,

1 machinery or equipment purchased under such a certificate for any
2 purpose other than that for which such a certificate is issued without the
3 payment of the sales or compensating tax otherwise imposed thereon, shall
4 be guilty of a misdemeanor and, upon conviction therefor, shall be subject
5 to the penalties provided for in K.S.A. 79-3615(h), and amendments
6 thereto. As used in this subsection, "business" and "retail business" mean
7 the same as defined in K.S.A. 74-50,114, and amendments thereto. Project
8 exemption certificates that have been previously issued under this
9 subsection by the department of revenue pursuant to K.S.A. 74-50,115,
10 and amendments thereto, but not including K.S.A. 74-50,115(e), and
11 amendments thereto, prior to January 1, 2012, and have not expired will be
12 effective for the term of the project or two years from the effective date of
13 the certificate, whichever occurs earlier. Project exemption certificates that
14 are submitted to the department of revenue prior to January 1, 2012, and
15 are found to qualify will be issued a project exemption certificate that will
16 be effective for a two-year period or for the term of the project, whichever
17 occurs earlier;

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

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

22 (ff) on and after July 1, 1988, all sales of new mobile homes or
23 manufactured homes to the extent of 40% of the gross receipts, determined
24 without regard to any trade-in allowance, received from such sale. As used
25 in this subsection, "mobile homes" and "manufactured homes" mean the
26 same as defined in K.S.A. 58-4202, and amendments thereto;

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

30 (hh) all sales of medical supplies and equipment, including durable
31 medical equipment, purchased directly by a nonprofit skilled nursing home
32 or nonprofit intermediate nursing care home, as defined by K.S.A. 39-923,
33 and amendments thereto, for the purpose of providing medical services to
34 residents thereof. This exemption shall not apply to tangible personal
35 property customarily used for human habitation purposes. As used in this
36 subsection, "durable medical equipment" means equipment including
37 repair and replacement parts for such equipment, that can withstand
38 repeated use, is primarily and customarily used to serve a medical purpose,
39 generally is not useful to a person in the absence of illness or injury and is
40 not worn in or on the body, but does not include mobility enhancing
41 equipment as defined in subsection (r), oxygen delivery equipment, kidney
42 dialysis equipment or enteral feeding systems;

43 (ii) all sales of tangible personal property purchased directly by a

1 nonprofit organization for nonsectarian comprehensive multidiscipline
2 youth development programs and activities provided or sponsored by such
3 organization, and all sales of tangible personal property by or on behalf of
4 any such organization. This exemption shall not apply to tangible personal
5 property customarily used for human habitation purposes;

6 (jj) all sales of tangible personal property or services, including the
7 renting and leasing of tangible personal property, purchased directly on
8 behalf of a community-based facility for people with intellectual disability
9 or mental health center organized pursuant to K.S.A. 19-4001 et seq., and
10 amendments thereto, and licensed in accordance with the provisions of
11 K.S.A. 39-2001 et seq., and amendments thereto, and all sales of tangible
12 personal property or services purchased by contractors during the time
13 period from July, 2003, through June, 2006, for the purpose of
14 constructing, equipping, maintaining or furnishing a new facility for a
15 community-based facility for people with intellectual disability or mental
16 health center located in Riverton, Cherokee County, Kansas, that would
17 have been eligible for sales tax exemption pursuant to this subsection if
18 purchased directly by such facility or center. This exemption shall not
19 apply to tangible personal property customarily used for human habitation
20 purposes;

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

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

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

28 (2) For purposes of this subsection:

29 (A) "Integrated production operation" means an integrated series of
30 operations engaged in at a manufacturing or processing plant or facility to
31 process, transform or convert tangible personal property by physical,
32 chemical or other means into a different form, composition or character
33 from that in which it originally existed. Integrated production operations
34 shall include: (i) Production line operations, including packaging
35 operations; (ii) preproduction operations to handle, store and treat raw
36 materials; (iii) post production handling, storage, warehousing and
37 distribution operations; and (iv) waste, pollution and environmental
38 control operations, if any;

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

42 (C) "manufacturing or processing plant or facility" means a single,
43 fixed location owned or controlled by a manufacturing or processing

1 business that consists of one or more structures or buildings in a
2 contiguous area where integrated production operations are conducted to
3 manufacture or process tangible personal property to be ultimately sold at
4 retail. Such term shall not include any facility primarily operated for the
5 purpose of conveying or assisting in the conveyance of natural gas,
6 electricity, oil or water. A business may operate one or more manufacturing
7 or processing plants or facilities at different locations to manufacture or
8 process a single product of tangible personal property to be ultimately sold
9 at retail;

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

43 (E) "repair and replacement parts and accessories" means all parts

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

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

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

12 (A) Receive, transport, convey, handle, treat or store raw materials in
13 preparation of its placement on the production line;

14 (B) transport, convey, handle or store the property undergoing
15 manufacturing or processing at any point from the beginning of the
16 production line through any warehousing or distribution operation of the
17 final product that occurs at the plant or facility;

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

20 (D) guide, control or direct the movement of property undergoing
21 manufacturing or processing;

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

25 (F) plan, manage, control or record the receipt and flow of inventories
26 of raw materials, consumables and component parts, the flow of the
27 property undergoing manufacturing or processing and the management of
28 inventories of the finished product;

29 (G) produce energy for, lubricate, control the operating of or
30 otherwise enable the functioning of other production machinery and
31 equipment and the continuation of production operations;

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

35 (I) transmit or transport electricity, coke, gas, water, steam or similar
36 substances used in production operations from the point of generation, if
37 produced by the manufacturer or processor at the plant site, to that
38 manufacturer's production operation; or, if purchased or delivered from
39 off-site, from the point where the substance enters the site of the plant or
40 facility to that manufacturer's production operations;

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

43 (K) provide and control an environment required to maintain certain

1 levels of air quality, humidity or temperature in special and limited areas
2 of the plant or facility, where such regulation of temperature or humidity is
3 part of and essential to the production process;

4 (L) treat, transport or store waste or other byproducts of production
5 operations at the plant or facility; or

6 (M) control pollution at the plant or facility where the pollution is
7 produced by the manufacturing or processing operation.

8 (4) The following machinery, equipment and materials shall be
9 deemed to be exempt even though it may not otherwise qualify as
10 machinery and equipment used as an integral or essential part of an
11 integrated production operation: (A) Computers and related peripheral
12 equipment that are utilized by a manufacturing or processing business for
13 engineering of the finished product or for research and development or
14 product design; (B) machinery and equipment that is utilized by a
15 manufacturing or processing business to manufacture or rebuild tangible
16 personal property that is used in manufacturing or processing operations,
17 including tools, dies, molds, forms and other parts of qualifying machinery
18 and equipment; (C) portable plants for aggregate concrete, bulk cement
19 and asphalt including cement mixing drums to be attached to a motor
20 vehicle; (D) industrial fixtures, devices, support facilities and special
21 foundations necessary for manufacturing and production operations, and
22 materials and other tangible personal property sold for the purpose of
23 fabricating such fixtures, devices, facilities and foundations. An exemption
24 certificate for such purchases shall be signed by the manufacturer or
25 processor. If the fabricator purchases such material, the fabricator shall
26 also sign the exemption certificate; (E) a manufacturing or processing
27 business' laboratory equipment that is not located at the plant or facility,
28 but that would otherwise qualify for exemption under subsection (3)(E);
29 (F) all machinery and equipment used in surface mining activities as
30 described in K.S.A. 49-601 et seq., and amendments thereto, beginning
31 from the time a reclamation plan is filed to the acceptance of the
32 completed final site reclamation.

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

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

40 (B) machinery, equipment and tools used primarily in maintaining
41 and repairing any type of machinery and equipment or the building and
42 plant;

43 (C) transportation, transmission and distribution equipment not

1 primarily used in a production, warehousing or material handling
2 operation at the plant or facility, including the means of conveyance of
3 natural gas, electricity, oil or water, and equipment related thereto, located
4 outside the plant or facility;

5 (D) office machines and equipment including computers and related
6 peripheral equipment not used directly and primarily to control or measure
7 the manufacturing process;

8 (E) furniture and other furnishings;

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

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

15 (H) machinery and equipment used for general plant heating, cooling
16 and lighting;

17 (I) motor vehicles that are registered for operation on public
18 highways; or

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

22 (6) Paragraphs (3) and (5) shall not be construed as exclusive listings
23 of the machinery and equipment that qualify or do not qualify as an
24 integral or essential part of an integrated production operation. When
25 machinery or equipment is used as an integral or essential part of
26 production operations part of the time and for nonproduction purposes at
27 other times, the primary use of the machinery or equipment shall
28 determine whether or not such machinery or equipment qualifies for
29 exemption.

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

32 (ll) all sales of educational materials purchased for distribution to the
33 public at no charge by a nonprofit corporation organized for the purpose of
34 encouraging, fostering and conducting programs for the improvement of
35 public health, except that for taxable years commencing after December
36 31, 2013, this subsection shall not apply to any sales of such materials
37 purchased by a nonprofit corporation which performs any abortion, as
38 defined in K.S.A. 65-6701, and amendments thereto;

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

43 (nn) except as otherwise provided in this act, all sales of services

1 rendered by an advertising agency or licensed broadcast station or any
2 member, agent or employee thereof;

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

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

8 (qq) all sales of tangible personal property and services purchased by
9 a nonprofit museum or historical society or any combination thereof,
10 including a nonprofit organization that is organized for the purpose of
11 stimulating public interest in the exploration of space by providing
12 educational information, exhibits and experiences, that is exempt from
13 federal income taxation pursuant to section 501(c)(3) of the federal
14 internal revenue code of 1986;

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

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

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

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

34 (vv) all sales of tangible personal property purchased by any of the
35 following organizations that are exempt from federal income taxation
36 pursuant to section 501(c)(3) of the federal internal revenue code of 1986,
37 for the following purposes, and all sales of any such property by or on
38 behalf of any such organization for any such purpose:

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

43 (2) the Kansas alliance for the mentally ill, inc. for the purpose of

- 1 advocacy for persons with mental illness and to education, research and
2 support for their families;
- 3 (3) the Kansas mental illness awareness council for the purposes of
4 advocacy for persons who are mentally ill and for education, research and
5 support for them and their families;
- 6 (4) the American diabetes association Kansas affiliate, inc. for the
7 purpose of eliminating diabetes through medical research, public education
8 focusing on disease prevention and education, patient education including
9 information on coping with diabetes, and professional education and
10 training;
- 11 (5) the American lung association of Kansas, inc. for the purpose of
12 eliminating all lung diseases through medical research, public education
13 including information on coping with lung diseases, professional education
14 and training related to lung disease and other related services to reduce the
15 incidence of disability and death due to lung disease;
- 16 (6) the Kansas chapters of the Alzheimer's disease and related
17 disorders association, inc. for the purpose of providing assistance and
18 support to persons in Kansas with Alzheimer's disease, and their families
19 and caregivers;
- 20 (7) the Kansas chapters of the Parkinson's disease association for the
21 purpose of eliminating Parkinson's disease through medical research and
22 public and professional education related to such disease;
- 23 (8) the national kidney foundation of Kansas and western Missouri
24 for the purpose of eliminating kidney disease through medical research
25 and public and private education related to such disease;
- 26 (9) the heartstrings community foundation for the purpose of
27 providing training, employment and activities for adults with
28 developmental disabilities;
- 29 (10) the cystic fibrosis foundation, heart of America chapter, for the
30 purposes of assuring the development of the means to cure and control
31 cystic fibrosis and improving the quality of life for those with the disease;
- 32 (11) the spina bifida association of Kansas for the purpose of
33 providing financial, educational and practical aid to families and
34 individuals with spina bifida. Such aid includes, but is not limited to,
35 funding for medical devices, counseling and medical educational
36 opportunities;
- 37 (12) the CHWC, Inc., for the purpose of rebuilding urban core
38 neighborhoods through the construction of new homes, acquiring and
39 renovating existing homes and other related activities, and promoting
40 economic development in such neighborhoods;
- 41 (13) the cross-lines cooperative council for the purpose of providing
42 social services to low income individuals and families;
- 43 (14) the dreams work, inc., for the purpose of providing young adult

1 day services to individuals with developmental disabilities and assisting
2 families in avoiding institutional or nursing home care for a
3 developmentally disabled member of their family;

4 (15) the KSDS, Inc., for the purpose of promoting the independence
5 and inclusion of people with disabilities as fully participating and
6 contributing members of their communities and society through the
7 training and providing of guide and service dogs to people with
8 disabilities, and providing disability education and awareness to the
9 general public;

10 (16) the lyme association of greater Kansas City, Inc., for the purpose
11 of providing support to persons with lyme disease and public education
12 relating to the prevention, treatment and cure of lyme disease;

13 (17) the dream factory, inc., for the purpose of granting the dreams of
14 children with critical and chronic illnesses;

15 (18) the Ottawa Suzuki strings, inc., for the purpose of providing
16 students and families with education and resources necessary to enable
17 each child to develop fine character and musical ability to the fullest
18 potential;

19 (19) the international association of lions clubs for the purpose of
20 creating and fostering a spirit of understanding among all people for
21 humanitarian needs by providing voluntary services through community
22 involvement and international cooperation;

23 (20) the Johnson county young matrons, inc., for the purpose of
24 promoting a positive future for members of the community through
25 volunteerism, financial support and education through the efforts of an all
26 volunteer organization;

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

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

33 (23) the angel babies association, for the purpose of providing
34 assistance, support and items of necessity to teenage mothers and their
35 babies; and

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

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

41 (xx) all sales of tangible personal property and services purchased by
42 a nonprofit zoo that is exempt from federal income taxation pursuant to
43 section 501(c)(3) of the federal internal revenue code of 1986, or on behalf

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

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

1 a parent-teacher association or organization, and all sales of tangible
2 personal property by or on behalf of such association or organization;

3 (zz) all sales of machinery and equipment purchased by over-the-air,
4 free access radio or television station that is used directly and primarily for
5 the purpose of producing a broadcast signal or is such that the failure of
6 the machinery or equipment to operate would cause broadcasting to cease.
7 For purposes of this subsection, machinery and equipment shall include,
8 but not be limited to, that required by rules and regulations of the federal
9 communications commission, and all sales of electricity which are
10 essential or necessary for the purpose of producing a broadcast signal or is
11 such that the failure of the electricity would cause broadcasting to cease;

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

1 which such certificate was issued, such organization concerned shall be
2 liable for tax on all materials purchased for the project, and upon payment
3 thereof it may recover the same from the contractor together with
4 reasonable attorney fees. Any contractor or any agent, employee or
5 subcontractor thereof, who shall use or otherwise dispose of any materials
6 purchased under such a certificate for any purpose other than that for
7 which such a certificate is issued without the payment of the sales or
8 compensating tax otherwise imposed upon such materials, shall be guilty
9 of a misdemeanor and, upon conviction therefor, shall be subject to the
10 penalties provided for in K.S.A. 79-3615(h), and amendments thereto.
11 Sales tax paid on and after July 1, 1998, but prior to the effective date of
12 this act upon the gross receipts received from any sale exempted by the
13 amendatory provisions of this subsection shall be refunded. Each claim for
14 a sales tax refund shall be verified and submitted to the director of taxation
15 upon forms furnished by the director and shall be accompanied by any
16 additional documentation required by the director. The director shall
17 review each claim and shall refund that amount of sales tax paid as
18 determined under the provisions of this subsection. All refunds shall be
19 paid from the sales tax refund fund upon warrants of the director of
20 accounts and reports pursuant to vouchers approved by the director or the
21 director's designee;

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

27 (ccc) on and after July 1, 1999, all sales of tangible personal property
28 and services purchased by a primary care clinic or health center the
29 primary purpose of which is to provide services to medically underserved
30 individuals and families, and that is exempt from federal income taxation
31 pursuant to section 501(c)(3) of the federal internal revenue code, and all
32 sales of tangible personal property or services purchased by a contractor
33 for the purpose of constructing, equipping, reconstructing, maintaining,
34 repairing, enlarging, furnishing or remodeling facilities for any such clinic
35 or center that would be exempt from taxation under the provisions of this
36 section if purchased directly by such clinic or center, except that for
37 taxable years commencing after December 31, 2013, this subsection shall
38 not apply to any sales of such tangible personal property and services
39 purchased by a primary care clinic or health center which performs any
40 abortion, as defined in K.S.A. 65-6701, and amendments thereto. Nothing
41 in this subsection shall be deemed to exempt the purchase of any
42 construction machinery, equipment or tools used in the constructing,
43 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or

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

32 (ddd) on and after January 1, 1999, and before January 1, 2000, all
33 sales of materials and services purchased by any class II or III railroad as
34 classified by the federal surface transportation board for the construction,
35 renovation, repair or replacement of class II or III railroad track and
36 facilities used directly in interstate commerce. In the event any such track
37 or facility for which materials and services were purchased sales tax
38 exempt is not operational for five years succeeding the allowance of such
39 exemption, the total amount of sales tax that would have been payable
40 except for the operation of this subsection shall be recouped in accordance
41 with rules and regulations adopted for such purpose by the secretary of
42 revenue;

43 (eee) on and after January 1, 1999, and before January 1, 2001, all

1 sales of materials and services purchased for the original construction,
2 reconstruction, repair or replacement of grain storage facilities, including
3 railroad sidings providing access thereto;

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

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

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

28 (iii) all sales of personal property and services purchased by an
29 organization that is exempt from federal income taxation pursuant to
30 section 501(c)(3) of the federal internal revenue code of 1986, and such
31 personal property and services are used by any such organization in the
32 collection, storage and distribution of food products to nonprofit
33 organizations that distribute such food products to persons pursuant to a
34 food distribution program on a charitable basis without fee or charge, and
35 all sales of tangible personal property or services purchased by a
36 contractor for the purpose of constructing, equipping, reconstructing,
37 maintaining, repairing, enlarging, furnishing or remodeling facilities used
38 for the collection and storage of such food products for any such
39 organization which is exempt from federal income taxation pursuant to
40 section 501(c)(3) of the federal internal revenue code of 1986, that would
41 be exempt from taxation under the provisions of this section if purchased
42 directly by such organization. Nothing in this subsection shall be deemed
43 to exempt the purchase of any construction machinery, equipment or tools

1 used in the constructing, equipping, reconstructing, maintaining, repairing,
2 enlarging, furnishing or remodeling facilities for any such organization.
3 When any such organization shall contract for the purpose of constructing,
4 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or
5 remodeling facilities, it shall obtain from the state and furnish to the
6 contractor an exemption certificate for the project involved, and the
7 contractor may purchase materials for incorporation in such project. The
8 contractor shall furnish the number of such certificate to all suppliers from
9 whom such purchases are made, and such suppliers shall execute invoices
10 covering the same bearing the number of such certificate. Upon
11 completion of the project the contractor shall furnish to such organization
12 concerned a sworn statement, on a form to be provided by the director of
13 taxation, that all purchases so made were entitled to exemption under this
14 subsection. All invoices shall be held by the contractor for a period of five
15 years and shall be subject to audit by the director of taxation. If any
16 materials purchased under such a certificate are found not to have been
17 incorporated in such facilities or not to have been returned for credit or the
18 sales or compensating tax otherwise imposed upon such materials that will
19 not be so incorporated in such facilities reported and paid by such
20 contractor to the director of taxation not later than the 20th day of the
21 month following the close of the month in which it shall be determined
22 that such materials will not be used for the purpose for which such
23 certificate was issued, such organization concerned shall be liable for tax
24 on all materials purchased for the project, and upon payment thereof it
25 may recover the same from the contractor together with reasonable
26 attorney fees. Any contractor or any agent, employee or subcontractor
27 thereof, who shall use or otherwise dispose of any materials purchased
28 under such a certificate for any purpose other than that for which such a
29 certificate is issued without the payment of the sales or compensating tax
30 otherwise imposed upon such materials, shall be guilty of a misdemeanor
31 and, upon conviction therefor, shall be subject to the penalties provided for
32 in K.S.A. 79-3615(h), and amendments thereto. Sales tax paid on and after
33 July 1, 2005, but prior to the effective date of this act upon the gross
34 receipts received from any sale exempted by the amendatory provisions of
35 this subsection shall be refunded. Each claim for a sales tax refund shall be
36 verified and submitted to the director of taxation upon forms furnished by
37 the director and shall be accompanied by any additional documentation
38 required by the director. The director shall review each claim and shall
39 refund that amount of sales tax paid as determined under the provisions of
40 this subsection. All refunds shall be paid from the sales tax refund fund
41 upon warrants of the director of accounts and reports pursuant to vouchers
42 approved by the director or the director's designee;
43 (jjj) all sales of dietary supplements dispensed pursuant to a

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

15 (lll) all sales of tangible personal property and services purchased by
16 special olympics Kansas, inc. for the purpose of providing year-round
17 sports training and athletic competition in a variety of olympic-type sports
18 for individuals with intellectual disabilities by giving them continuing
19 opportunities to develop physical fitness, demonstrate courage, experience
20 joy and participate in a sharing of gifts, skills and friendship with their
21 families, other special olympics athletes and the community, and activities
22 provided or sponsored by such organization, and all sales of tangible
23 personal property by or on behalf of any such organization;

24 (mmm) all sales of tangible personal property purchased by or on
25 behalf of the Marillac center, inc., which is exempt from federal income
26 taxation pursuant to section 501(c)(3) of the federal internal revenue code,
27 for the purpose of providing psycho-social-biological and special
28 education services to children, and all sales of any such property by or on
29 behalf of such organization for such purpose;

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

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

39 (ppp) all sales of tangible personal property and services purchased
40 by or on behalf of a homeless shelter that is exempt from federal income
41 taxation pursuant to section 501(c)(3) of the federal income tax code of
42 1986, and used by any such homeless shelter to provide emergency and
43 transitional housing for individuals and families experiencing

1 homelessness, and all sales of any such property by or on behalf of any
2 such homeless shelter for any such purpose;

3 (qqq) all sales of tangible personal property and services purchased
4 by TLC for children and families, inc., hereinafter referred to as TLC,
5 which is exempt from federal income taxation pursuant to section 501(c)
6 (3) of the federal internal revenue code of 1986, and such property and
7 services are used for the purpose of providing emergency shelter and
8 treatment for abused and neglected children as well as meeting additional
9 critical needs for children, juveniles and family, and all sales of any such
10 property by or on behalf of TLC for any such purpose; and all sales of
11 tangible personal property or services purchased by a contractor for the
12 purpose of constructing, maintaining, repairing, enlarging, furnishing or
13 remodeling facilities for the operation of services for TLC for any such
14 purpose that would be exempt from taxation under the provisions of this
15 section if purchased directly by TLC. Nothing in this subsection shall be
16 deemed to exempt the purchase of any construction machinery, equipment
17 or tools used in the constructing, maintaining, repairing, enlarging,
18 furnishing or remodeling such facilities for TLC. When TLC contracts for
19 the purpose of constructing, maintaining, repairing, enlarging, furnishing
20 or remodeling such facilities, it shall obtain from the state and furnish to
21 the contractor an exemption certificate for the project involved, and the
22 contractor may purchase materials for incorporation in such project. The
23 contractor shall furnish the number of such certificate to all suppliers from
24 whom such purchases are made, and such suppliers shall execute invoices
25 covering the same bearing the number of such certificate. Upon
26 completion of the project the contractor shall furnish to TLC a sworn
27 statement, on a form to be provided by the director of taxation, that all
28 purchases so made were entitled to exemption under this subsection. All
29 invoices shall be held by the contractor for a period of five years and shall
30 be subject to audit by the director of taxation. If any materials purchased
31 under such a certificate are found not to have been incorporated in the
32 building or other project or not to have been returned for credit or the sales
33 or compensating tax otherwise imposed upon such materials that will not
34 be so incorporated in the building or other project reported and paid by
35 such contractor to the director of taxation not later than the 20th day of the
36 month following the close of the month in which it shall be determined
37 that such materials will not be used for the purpose for which such
38 certificate was issued, TLC shall be liable for tax on all materials
39 purchased for the project, and upon payment thereof it may recover the
40 same from the contractor together with reasonable attorney fees. Any
41 contractor or any agent, employee or subcontractor thereof, who shall use
42 or otherwise dispose of any materials purchased under such a certificate
43 for any purpose other than that for which such a certificate is issued

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

5 (rrr) all sales of tangible personal property and services purchased by
6 any county law library maintained pursuant to law and sales of tangible
7 personal property and services purchased by an organization that would
8 have been exempt from taxation under the provisions of this subsection if
9 purchased directly by the county law library for the purpose of providing
10 legal resources to attorneys, judges, students and the general public, and
11 all sales of any such property by or on behalf of any such county law
12 library;

13 (sss) all sales of tangible personal property and services purchased by
14 catholic charities or youthville, hereinafter referred to as charitable family
15 providers, which is exempt from federal income taxation pursuant to
16 section 501(c)(3) of the federal internal revenue code of 1986, and which
17 such property and services are used for the purpose of providing
18 emergency shelter and treatment for abused and neglected children as well
19 as meeting additional critical needs for children, juveniles and family, and
20 all sales of any such property by or on behalf of charitable family
21 providers for any such purpose; and all sales of tangible personal property
22 or services purchased by a contractor for the purpose of constructing,
23 maintaining, repairing, enlarging, furnishing or remodeling facilities for
24 the operation of services for charitable family providers for any such
25 purpose which would be exempt from taxation under the provisions of this
26 section if purchased directly by charitable family providers. Nothing in
27 this subsection shall be deemed to exempt the purchase of any construction
28 machinery, equipment or tools used in the constructing, maintaining,
29 repairing, enlarging, furnishing or remodeling such facilities for charitable
30 family providers. When charitable family providers contracts for the
31 purpose of constructing, maintaining, repairing, enlarging, furnishing or
32 remodeling such facilities, it shall obtain from the state and furnish to the
33 contractor an exemption certificate for the project involved, and the
34 contractor may purchase materials for incorporation in such project. The
35 contractor shall furnish the number of such certificate to all suppliers from
36 whom such purchases are made, and such suppliers shall execute invoices
37 covering the same bearing the number of such certificate. Upon
38 completion of the project the contractor shall furnish to charitable family
39 providers a sworn statement, on a form to be provided by the director of
40 taxation, that all purchases so made were entitled to exemption under this
41 subsection. All invoices shall be held by the contractor for a period of five
42 years and shall be subject to audit by the director of taxation. If any
43 materials purchased under such a certificate are found not to have been

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

17 (ttt) all sales of tangible personal property or services purchased by a
18 contractor for a project for the purpose of restoring, constructing,
19 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or
20 remodeling a home or facility owned by a nonprofit museum that has been
21 granted an exemption pursuant to subsection (qq), which such home or
22 facility is located in a city that has been designated as a qualified
23 hometown pursuant to the provisions of K.S.A. 75-5071 et seq., and
24 amendments thereto, and which such project is related to the purposes of
25 K.S.A. 75-5071 et seq., and amendments thereto, and that would be
26 exempt from taxation under the provisions of this section if purchased
27 directly by such nonprofit museum. Nothing in this subsection shall be
28 deemed to exempt the purchase of any construction machinery, equipment
29 or tools used in the restoring, constructing, equipping, reconstructing,
30 maintaining, repairing, enlarging, furnishing or remodeling a home or
31 facility for any such nonprofit museum. When any such nonprofit museum
32 shall contract for the purpose of restoring, constructing, equipping,
33 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling
34 a home or facility, it shall obtain from the state and furnish to the
35 contractor an exemption certificate for the project involved, and the
36 contractor may purchase materials for incorporation in such project. The
37 contractor shall furnish the number of such certificates to all suppliers
38 from whom such purchases are made, and such suppliers shall execute
39 invoices covering the same bearing the number of such certificate. Upon
40 completion of the project, the contractor shall furnish to such nonprofit
41 museum a sworn statement on a form to be provided by the director of
42 taxation that all purchases so made were entitled to exemption under this
43 subsection. All invoices shall be held by the contractor for a period of five

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

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

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

21 (vvv) all sales of tangible personal property or services, including the
22 renting and leasing of tangible personal property or services, purchased by
23 jazz in the woods, inc., a Kansas corporation that is exempt from federal
24 income taxation pursuant to section 501(c)(3) of the federal internal
25 revenue code, for the purpose of providing jazz in the woods, an event
26 benefiting children-in-need and other nonprofit charities assisting such
27 children, and all sales of any such property by or on behalf of such
28 organization for such purpose;

29 (www) all sales of tangible personal property purchased by or on
30 behalf of the Frontenac education foundation, which is exempt from
31 federal income taxation pursuant to section 501(c)(3) of the federal
32 internal revenue code, for the purpose of providing education support for
33 students, and all sales of any such property by or on behalf of such
34 organization for such purpose;

35 (xxx) all sales of personal property and services purchased by the
36 booth theatre foundation, inc., an organization, which is exempt from
37 federal income taxation pursuant to section 501(c)(3) of the federal
38 internal revenue code of 1986, and which such personal property and
39 services are used by any such organization in the constructing, equipping,
40 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling
41 of the booth theatre, and all sales of tangible personal property or services
42 purchased by a contractor for the purpose of constructing, equipping,
43 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling

1 the booth theatre for such organization, that would be exempt from
2 taxation under the provisions of this section if purchased directly by such
3 organization. Nothing in this subsection shall be deemed to exempt the
4 purchase of any construction machinery, equipment or tools used in the
5 constructing, equipping, reconstructing, maintaining, repairing, enlarging,
6 furnishing or remodeling facilities for any such organization. When any
7 such organization shall contract for the purpose of constructing, equipping,
8 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling
9 facilities, it shall obtain from the state and furnish to the contractor an
10 exemption certificate for the project involved, and the contractor may
11 purchase materials for incorporation in such project. The contractor shall
12 furnish the number of such certificate to all suppliers from whom such
13 purchases are made, and such suppliers shall execute invoices covering the
14 same bearing the number of such certificate. Upon completion of the
15 project the contractor shall furnish to such organization concerned a sworn
16 statement, on a form to be provided by the director of taxation, that all
17 purchases so made were entitled to exemption under this subsection. All
18 invoices shall be held by the contractor for a period of five years and shall
19 be subject to audit by the director of taxation. If any materials purchased
20 under such a certificate are found not to have been incorporated in such
21 facilities or not to have been returned for credit or the sales or
22 compensating tax otherwise imposed upon such materials that will not be
23 so incorporated in such facilities reported and paid by such contractor to
24 the director of taxation not later than the 20th day of the month following
25 the close of the month in which it shall be determined that such materials
26 will not be used for the purpose for which such certificate was issued, such
27 organization concerned shall be liable for tax on all materials purchased
28 for the project, and upon payment thereof it may recover the same from
29 the contractor together with reasonable attorney fees. Any contractor or
30 any agent, employee or subcontractor thereof, who shall use or otherwise
31 dispose of any materials purchased under such a certificate for any purpose
32 other than that for which such a certificate is issued without the payment
33 of the sales or compensating tax otherwise imposed upon such materials,
34 shall be guilty of a misdemeanor and, upon conviction therefor, shall be
35 subject to the penalties provided for in K.S.A. 79-3615(h), and
36 amendments thereto. Sales tax paid on and after January 1, 2007, but prior
37 to the effective date of this act upon the gross receipts received from any
38 sale which would have been exempted by the provisions of this subsection
39 had such sale occurred after the effective date of this act shall be refunded.
40 Each claim for a sales tax refund shall be verified and submitted to the
41 director of taxation upon forms furnished by the director and shall be
42 accompanied by any additional documentation required by the director.
43 The director shall review each claim and shall refund that amount of sales

1 tax paid as determined under the provisions of this subsection. All refunds
2 shall be paid from the sales tax refund fund upon warrants of the director
3 of accounts and reports pursuant to vouchers approved by the director or
4 the director's designee;

5 (yyy) all sales of tangible personal property and services purchased
6 by TLC charities foundation, inc., hereinafter referred to as TLC charities,
7 which is exempt from federal income taxation pursuant to section 501(c)
8 (3) of the federal internal revenue code of 1986, and which such property
9 and services are used for the purpose of encouraging private philanthropy
10 to further the vision, values, and goals of TLC for children and families,
11 inc.; and all sales of such property and services by or on behalf of TLC
12 charities for any such purpose and all sales of tangible personal property or
13 services purchased by a contractor for the purpose of constructing,
14 maintaining, repairing, enlarging, furnishing or remodeling facilities for
15 the operation of services for TLC charities for any such purpose that would
16 be exempt from taxation under the provisions of this section if purchased
17 directly by TLC charities. Nothing in this subsection shall be deemed to
18 exempt the purchase of any construction machinery, equipment or tools
19 used in the constructing, maintaining, repairing, enlarging, furnishing or
20 remodeling such facilities for TLC charities. When TLC charities contracts
21 for the purpose of constructing, maintaining, repairing, enlarging,
22 furnishing or remodeling such facilities, it shall obtain from the state and
23 furnish to the contractor an exemption certificate for the project involved,
24 and the contractor may purchase materials for incorporation in such
25 project. The contractor shall furnish the number of such certificate to all
26 suppliers from whom such purchases are made, and such suppliers shall
27 execute invoices covering the same bearing the number of such certificate.
28 Upon completion of the project the contractor shall furnish to TLC
29 charities a sworn statement, on a form to be provided by the director of
30 taxation, that all purchases so made were entitled to exemption under this
31 subsection. All invoices shall be held by the contractor for a period of five
32 years and shall be subject to audit by the director of taxation. If any
33 materials purchased under such a certificate are found not to have been
34 incorporated in the building or other project or not to have been returned
35 for credit or the sales or compensating tax otherwise imposed upon such
36 materials that will not be incorporated into the building or other project
37 reported and paid by such contractor to the director of taxation not later
38 than the 20th day of the month following the close of the month in which it
39 shall be determined that such materials will not be used for the purpose for
40 which such certificate was issued, TLC charities shall be liable for tax on
41 all materials purchased for the project, and upon payment thereof it may
42 recover the same from the contractor together with reasonable attorney
43 fees. Any contractor or any agent, employee or subcontractor thereof, who

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

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

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

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

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

32 (dddd) all sales of tangible personal property or services purchased
33 by or on behalf of goodwill industries or Easter seals of Kansas, inc., both
34 of which are exempt from federal income taxation pursuant to section
35 501(c)(3) of the federal internal revenue code, for the purpose of providing
36 education, training and employment opportunities for people with
37 disabilities and other barriers to employment;

38 (eeee) all sales of tangible personal property or services purchased by
39 or on behalf of all American beef battalion, inc., which is exempt from
40 federal income taxation pursuant to section 501(c)(3) of the federal
41 internal revenue code, for the purpose of educating, promoting and
42 participating as a contact group through the beef cattle industry in order to
43 carry out such projects that provide support and morale to members of the

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

1 of the sales or compensating tax otherwise imposed upon such materials,
2 shall be guilty of a misdemeanor and, upon conviction therefor, shall be
3 subject to the penalties provided for in K.S.A. 79-3615(h), and
4 amendments thereto;

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

7 (hhhh) all sales of tangible personal property or services purchased
8 on or after July 1, 2014, for the purpose of and in conjunction with
9 constructing, reconstructing, enlarging or remodeling a business identified
10 under the North American industry classification system (NAICS)
11 subsectors 1123, 1124, 112112, 112120 or 112210, and the sale and
12 installation of machinery and equipment purchased for installation at any
13 such business. The exemption provided in this subsection shall not apply
14 to projects that have actual total costs less than \$50,000. When a person
15 contracts for the construction, reconstruction, enlargement or remodeling
16 of any such business, such person shall obtain from the state and furnish to
17 the contractor an exemption certificate for the project involved, and the
18 contractor may purchase materials, machinery and equipment for
19 incorporation in such project. The contractor shall furnish the number of
20 such certificates to all suppliers from whom such purchases are made, and
21 such suppliers shall execute invoices covering the same bearing the
22 number of such certificate. Upon completion of the project, the contractor
23 shall furnish to the owner of the business a sworn statement, on a form to
24 be provided by the director of taxation, that all purchases so made were
25 entitled to exemption under this subsection. All invoices shall be held by
26 the contractor for a period of five years and shall be subject to audit by the
27 director of taxation. Any contractor or any agent, employee or
28 subcontractor of the contractor, who shall use or otherwise dispose of any
29 materials, machinery or equipment purchased under such a certificate for
30 any purpose other than that for which such a certificate is issued without
31 the payment of the sales or compensating tax otherwise imposed thereon,
32 shall be guilty of a misdemeanor and, upon conviction therefor, shall be
33 subject to the penalties provided for in K.S.A. 79-3615(h), and
34 amendments thereto;

35 (iiii) all sales of tangible personal property or services purchased by a
36 contractor for the purpose of constructing, maintaining, repairing,
37 enlarging, furnishing or remodeling facilities for the operation of services
38 for Wichita children's home for any such purpose that would be exempt
39 from taxation under the provisions of this section if purchased directly by
40 Wichita children's home. Nothing in this subsection shall be deemed to
41 exempt the purchase of any construction machinery, equipment or tools
42 used in the constructing, maintaining, repairing, enlarging, furnishing or
43 remodeling such facilities for Wichita children's home. When Wichita

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

30 (jjjj) all sales of tangible personal property or services purchased by
31 or on behalf of the beacon, inc., that 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 those desiring help with food, shelter, clothing
34 and other necessities of life during times of special need;

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

42 (llll) all sales of tangible personal property and services purchased by
43 Gove county healthcare endowment foundation, inc., which is exempt

1 from federal income taxation pursuant to section 501(c)(3) of the federal
2 internal revenue code of 1986, and which such property and services are
3 used for the purpose of constructing and equipping an airport in Quinter,
4 Kansas, and all sales of tangible personal property or services purchased
5 by a contractor for the purpose of constructing and equipping an airport in
6 Quinter, Kansas, for such organization, that would be exempt from
7 taxation under the provisions of this section if purchased directly by such
8 organization. Nothing in this subsection shall be deemed to exempt the
9 purchase of any construction machinery, equipment or tools used in the
10 constructing or equipping of facilities for such organization. When such
11 organization shall contract for the purpose of constructing or equipping an
12 airport in Quinter, Kansas, it shall obtain from the state and furnish to the
13 contractor an exemption certificate for the project involved, and the
14 contractor may purchase materials for incorporation in such project. The
15 contractor shall furnish the number of such certificate to all suppliers from
16 whom such purchases are made, and such suppliers shall execute invoices
17 covering the same bearing the number of such certificate. Upon
18 completion of the project, the contractor shall furnish to such organization
19 concerned a sworn statement, on a form to be provided by the director of
20 taxation, that all purchases so made were entitled to exemption under this
21 subsection. All invoices shall be held by the contractor for a period of five
22 years and shall be subject to audit by the director of taxation. If any
23 materials purchased under such a certificate are found not to have been
24 incorporated in such facilities or not to have been returned for credit or the
25 sales or compensating tax otherwise imposed upon such materials that will
26 not be so incorporated in such facilities reported and paid by such
27 contractor to the director of taxation no later than the 20th day of the month
28 following the close of the month in which it shall be determined that such
29 materials will not be used for the purpose for which such certificate was
30 issued, such organization concerned shall be liable for tax on all materials
31 purchased for the project, and upon payment thereof it may recover the
32 same from the contractor together with reasonable attorney fees. Any
33 contractor or any agent, employee or subcontractor thereof, who purchased
34 under such a certificate for any purpose other than that for which such a
35 certificate is issued without the payment of the sales or compensating tax
36 otherwise imposed upon such materials, shall be guilty of a misdemeanor
37 and, upon conviction therefor, shall be subject to the penalties provided for
38 in K.S.A. 79-3615(h), and amendments thereto. The provisions of this
39 subsection shall expire and have no effect on and after July 1, 2019;

40 (mmmm) all sales of gold or silver coins; and palladium, platinum,
41 gold or silver bullion. For the purposes of this subsection, "bullion" means
42 bars, ingots or commemorative medallions of gold, silver, platinum,
43 palladium, or a combination thereof, for which the value of the metal

1 depends on its content and not the form;

2 (nnnn) all sales of tangible personal property or services purchased
3 by friends of hospice of Jefferson county, an organization that is exempt
4 from federal income taxation pursuant to section 501(c)(3) of the federal
5 internal revenue code of 1986, for the purpose of providing support to the
6 Jefferson county hospice agency in end-of-life care of Jefferson county
7 families, friends and neighbors, and all sales of entry or participation fees,
8 charges or tickets by friends of hospice of Jefferson county for such
9 organization's fundraising event for such purpose; and

10 (oooo) all sales of tangible personal property or services purchased
11 for the purpose of and in conjunction with constructing, reconstructing,
12 enlarging or remodeling a qualified business facility by a qualified firm or
13 qualified supplier that meets the requirements established in K.S.A. 2022
14 Supp. 74-50,312 ~~and~~, 74-50,319, *section 2 and section 7*, and amendments
15 thereto, and that has been approved for a project exemption certificate by
16 the secretary of commerce, and the sale and installation of machinery and
17 equipment purchased by such qualified firm ~~or~~ qualified supplier *or*
18 *qualified company* for installation at any such qualified business facility.
19 When a person shall contract for the construction, reconstruction,
20 enlargement or remodeling of any such qualified business facility, such
21 person shall obtain from the state and furnish to the contractor an
22 exemption certificate for the project involved, and the contractor may
23 purchase materials, machinery and equipment for incorporation in such
24 project. The contractor shall furnish the number of such certificates to all
25 suppliers from whom such purchases are made, and such suppliers shall
26 execute invoices covering the same bearing the number of such certificate.
27 Upon completion of the project, the contractor shall furnish to the owner
28 of the qualified firm ~~or~~, qualified supplier *or qualified company* a sworn
29 statement, on a form to be provided by the director of taxation, that all
30 purchases so made were entitled to exemption under this subsection. All
31 invoices shall be held by the contractor for a period of five years and shall
32 be subject to audit by the director of taxation. Any contractor or any agent,
33 employee or subcontractor thereof who shall use or otherwise dispose of
34 any materials, machinery or equipment purchased under such a certificate
35 for any purpose other than that for which such a certificate is issued
36 without the payment of the sales or compensating tax otherwise imposed
37 thereon, shall be guilty of a misdemeanor and, upon conviction therefor,
38 shall be subject to the penalties provided for in K.S.A. 79-3615(h), and
39 amendments thereto. As used in this subsection, "qualified business
40 facility," "qualified firm" and "qualified supplier" mean the same as
41 defined in K.S.A. 2022 Supp. 74-50,311, and amendments thereto, *and*
42 *"qualified company" means the same as defined in section 1, and*
43 *amendments thereto.*

1 Sec. 10. K.S.A. 2022 Supp. 79-3606 is hereby repealed.

2 Sec. 11. This act shall take effect and be in force from and after its
3 publication in the statute book.