

**HOUSE BILL No. 2473**

By Representative Sloan

1-16

1 AN ACT concerning taxation; relating to rural broadband; income tax,  
2 credits, modifications; sales and compensating use tax, exemptions;  
3 amending K.S.A. 2017 Supp. 79-32,117 and 79-3606 and repealing the  
4 existing sections.

5  
6 *Be it enacted by the Legislature of the State of Kansas:*

7 New Section 1. (a) As used in this section:

8 (1) "Broadband" means a retail service that utilizes infrastructure  
9 with the capacity to transmit data to enable a subscriber to the service to  
10 originate and receive high-quality voice, data, graphics and video, without  
11 regard to delivery technology and that:

12 (A) Is capable of minimum download speeds of at least 25 megabits  
13 per second and minimum upload speeds of at least three megabits per  
14 second;

15 (B) provides an average latency of less than 100 milliseconds to  
16 enable the use of real-time communications; and

17 (C) provides subscribers with a minimum monthly data allowance of  
18 150 gigabytes per month.

19 (2) "Rural area" means a county with an average population density  
20 of less than 100 persons per square mile, excluding the county seat, and  
21 that is either:

22 (A) Not served by any broadband service provider; or

23 (B) served by a broadband service provider, but less than 10% of the  
24 persons in such county have access to broadband service.

25 (b) There shall be allowed as a credit against the tax liability of a  
26 taxpayer imposed under the Kansas income tax act an amount equal to the  
27 rental income received by the taxpayer for rent of real estate to any  
28 provider of broadband for the installation of any equipment required in  
29 providing broadband in a rural area. The tax credit allowed by this  
30 subsection shall be deducted from the taxpayer's income tax liability for  
31 the taxable year in which the rental income is received by the taxpayer. If  
32 the amount of such tax credit exceeds the taxpayer's income tax liability  
33 for such taxable year, the taxpayer may carry over the amount thereof that  
34 exceeds such tax liability for deduction from the taxpayer's income tax  
35 liability in the next succeeding taxable year or years until the total amount  
36 of the tax credit has been deducted from tax liability, except that no such

1 tax credit shall be carried over for deduction after the fourth taxable year  
2 succeeding the year in which the costs are incurred.

3 (c) Any business firm or business entity not subject to Kansas  
4 income, privilege or premiums tax, hereinafter designated the assignor,  
5 may sell, assign, convey or otherwise transfer tax credits up to 80% of the  
6 credit allowed and earned pursuant to this section. Such credits shall be  
7 deemed to be allowed and earned by any such business entity, which is  
8 only disqualified therefrom by reason of not being subject to such Kansas  
9 taxes. The business firm acquiring earned credits, hereinafter designated  
10 the assignee, may use the amount of the acquired credits to offset up to  
11 100% of its income, privilege or premium tax liability for the taxable year  
12 in which such acquisition was made. Only the full credit amount for any  
13 one contribution may be transferred and such credit may be transferred one  
14 time. Unused credit amounts claimed by the assignee may be carried  
15 forward for up to five years, except that all such amounts shall be claimed  
16 within 10 years following the tax year in which the contribution was made.  
17 The assignor shall enter into a written agreement with the assignee  
18 establishing the terms and conditions of the agreement and shall perfect  
19 such transfer by notifying the director of revenue in writing within 30  
20 calendar days following the effective date of the transfer and shall provide  
21 any information as may be required by the director of revenue to  
22 administer and carry out the provisions of this section. The amount  
23 received by the assignor of such tax credit shall be taxable as income of  
24 the assignor, and the excess of the value of such credit over the amount  
25 paid by the assignee for such credit shall be taxable as income of the  
26 assignee.

27 (d) The secretary of revenue may adopt rules and regulations to  
28 administer the provisions of this section.

29 (e) The provisions of this section shall be applicable to all taxable  
30 years commencing after December 31, 2018.

31 New Sec. 2. (a) In addition to the income tax credit allowable  
32 pursuant to section 1, and amendments thereto, a taxpayer shall be entitled  
33 to a deduction from Kansas adjusted gross income with respect to the  
34 amortization of the amortizable costs of equipment for the installation of  
35 broadband in a rural area. Such amortization deduction shall be an amount  
36 equal to 55% of the amortizable costs of such equipment for new  
37 broadband in a rural area for the first taxable year in which such  
38 equipment was installed and 5% of the amortizable costs of such new  
39 equipment for new broadband in a rural area for each of the next nine  
40 taxable years.

41 (b) The election of the taxpayer to claim the deduction allowed by  
42 subsection (a) shall be made by filing a statement of such election with the  
43 secretary of revenue in the manner and form and within the time

1 prescribed by rules and regulations adopted by the secretary.

2 (c) The provisions of this section shall apply to all taxable years  
3 commencing after December 31, 2018.

4 (d) The secretary of revenue shall adopt such rules and regulations as  
5 deemed necessary to carry out the provisions of this section.

6 (e) As used in this section, terms have the meanings provided by  
7 section 1, and amendments thereto.

8 Sec. 3. K.S.A. 2017 Supp. 79-32,117 is hereby amended to read as  
9 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual  
10 means such individual's federal adjusted gross income for the taxable year,  
11 with the modifications specified in this section.

12 (b) There shall be added to federal adjusted gross income:

13 (i) Interest income less any related expenses directly incurred in the  
14 purchase of state or political subdivision obligations, to the extent that the  
15 same is not included in federal adjusted gross income, on obligations of  
16 any state or political subdivision thereof, but to the extent that interest  
17 income on obligations of this state or a political subdivision thereof issued  
18 prior to January 1, 1988, is specifically exempt from income tax under the  
19 laws of this state authorizing the issuance of such obligations, it shall be  
20 excluded from computation of Kansas adjusted gross income whether or  
21 not included in federal adjusted gross income. Interest income on  
22 obligations of this state or a political subdivision thereof issued after  
23 December 31, 1987, shall be excluded from computation of Kansas  
24 adjusted gross income whether or not included in federal adjusted gross  
25 income.

26 (ii) Taxes on or measured by income or fees or payments in lieu of  
27 income taxes imposed by this state or any other taxing jurisdiction to the  
28 extent deductible in determining federal adjusted gross income and not  
29 credited against federal income tax. This paragraph shall not apply to taxes  
30 imposed under the provisions of K.S.A. 79-1107 or 79-1108, and  
31 amendments thereto, for privilege tax year 1995, and all such years  
32 thereafter.

33 (iii) The federal net operating loss deduction, except that the federal  
34 net operating loss deduction shall not be added to an individual's federal  
35 adjusted gross income for tax years beginning after December 31, 2016.

36 (iv) Federal income tax refunds received by the taxpayer if the  
37 deduction of the taxes being refunded resulted in a tax benefit for Kansas  
38 income tax purposes during a prior taxable year. Such refunds shall be  
39 included in income in the year actually received regardless of the method  
40 of accounting used by the taxpayer. For purposes hereof, a tax benefit shall  
41 be deemed to have resulted if the amount of the tax had been deducted in  
42 determining income subject to a Kansas income tax for a prior year  
43 regardless of the rate of taxation applied in such prior year to the Kansas

1 taxable income, but only that portion of the refund shall be included as  
2 bears the same proportion to the total refund received as the federal taxes  
3 deducted in the year to which such refund is attributable bears to the total  
4 federal income taxes paid for such year. For purposes of the foregoing  
5 sentence, federal taxes shall be considered to have been deducted only to  
6 the extent such deduction does not reduce Kansas taxable income below  
7 zero.

8 (v) The amount of any depreciation deduction or business expense  
9 deduction claimed on the taxpayer's federal income tax return for any  
10 capital expenditure in making any building or facility accessible to the  
11 handicapped, for which expenditure the taxpayer claimed the credit  
12 allowed by K.S.A. 79-32,177, and amendments thereto.

13 (vi) Any amount of designated employee contributions picked up by  
14 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,  
15 and amendments thereto.

16 (vii) The amount of any charitable contribution made to the extent the  
17 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-  
18 32,196, and amendments thereto.

19 (viii) The amount of any costs incurred for improvements to a swine  
20 facility, claimed for deduction in determining federal adjusted gross  
21 income, to the extent the same is claimed as the basis for any credit  
22 allowed pursuant to K.S.A. 2017 Supp. 79-32,204, and amendments  
23 thereto.

24 (ix) The amount of any ad valorem taxes and assessments paid and  
25 the amount of any costs incurred for habitat management or construction  
26 and maintenance of improvements on real property, claimed for deduction  
27 in determining federal adjusted gross income, to the extent the same is  
28 claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,203,  
29 and amendments thereto.

30 (x) Amounts received as nonqualified withdrawals, as defined by  
31 K.S.A. 2017 Supp. 75-643, and amendments thereto, if, at the time of  
32 contribution to a family postsecondary education savings account, such  
33 amounts were subtracted from the federal adjusted gross income pursuant  
34 to K.S.A. 79-32,117(c)(xv), and amendments thereto, or if such amounts  
35 are not already included in the federal adjusted gross income.

36 (xi) The amount of any contribution made to the same extent the  
37 same is claimed as the basis for the credit allowed pursuant to K.S.A. 2017  
38 Supp. 74-50,154, and amendments thereto.

39 (xii) For taxable years commencing after December 31, 2004,  
40 amounts received as withdrawals not in accordance with the provisions of  
41 K.S.A. 2017 Supp. 74-50,204, and amendments thereto, if, at the time of  
42 contribution to an individual development account, such amounts were  
43 subtracted from the federal adjusted gross income pursuant to subsection

1 (c)(xiii), or if such amounts are not already included in the federal adjusted  
2 gross income.

3 (xiii) The amount of any expenditures claimed for deduction in  
4 determining federal adjusted gross income, to the extent the same is  
5 claimed as the basis for any credit allowed pursuant to K.S.A. 2017 Supp.  
6 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

7 (xiv) The amount of any amortization deduction claimed in  
8 determining federal adjusted gross income to the extent the same is  
9 claimed for deduction pursuant to K.S.A. 2017 Supp. 79-32,221, and  
10 amendments thereto.

11 (xv) The amount of any expenditures claimed for deduction in  
12 determining federal adjusted gross income, to the extent the same is  
13 claimed as the basis for any credit allowed pursuant to K.S.A. 2017 Supp.  
14 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233  
15 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-  
16 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

17 (xvi) The amount of any amortization deduction claimed in  
18 determining federal adjusted gross income to the extent the same is  
19 claimed for deduction pursuant to K.S.A. 2017 Supp. 79-32,227, 79-  
20 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments  
21 thereto.

22 (xvii) The amount of any amortization deduction claimed in  
23 determining federal adjusted gross income to the extent the same is  
24 claimed for deduction pursuant to K.S.A. 2017 Supp. 79-32,256, and  
25 amendments thereto.

26 (xviii) For taxable years commencing after December 31, 2006, the  
27 amount of any ad valorem or property taxes and assessments paid to a state  
28 other than Kansas or local government located in a state other than Kansas  
29 by a taxpayer who resides in a state other than Kansas, when the law of  
30 such state does not allow a resident of Kansas who earns income in such  
31 other state to claim a deduction for ad valorem or property taxes or  
32 assessments paid to a political subdivision of the state of Kansas in  
33 determining taxable income for income tax purposes in such other state, to  
34 the extent that such taxes and assessments are claimed as an itemized  
35 deduction for federal income tax purposes.

36 (xix) For taxable years beginning after December 31, 2012, and  
37 ending before January 1, 2017, the amount of any: (1) Loss from business  
38 as determined under the federal internal revenue code and reported from  
39 schedule C and on line 12 of the taxpayer's form 1040 federal individual  
40 income tax return; (2) loss from rental real estate, royalties, partnerships, S  
41 corporations, except those with wholly owned subsidiaries subject to the  
42 Kansas privilege tax, estates, trusts, residual interest in real estate  
43 mortgage investment conduits and net farm rental as determined under the

1 federal internal revenue code and reported from schedule E and on line 17  
2 of the taxpayer's form 1040 federal individual income tax return; and (3)  
3 farm loss as determined under the federal internal revenue code and  
4 reported from schedule F and on line 18 of the taxpayer's form 1040  
5 federal income tax return; all to the extent deducted or subtracted in  
6 determining the taxpayer's federal adjusted gross income. For purposes of  
7 this subsection, references to the federal form 1040 and federal schedule  
8 C, schedule E, and schedule F, shall be to such form and schedules as they  
9 existed for tax year 2011, and as revised thereafter by the internal revenue  
10 service.

11 (xx) For taxable years beginning after December 31, 2012, and  
12 ending before January 1, 2017, the amount of any deduction for self-  
13 employment taxes under section 164(f) of the federal internal revenue  
14 code as in effect on January 1, 2012, and amendments thereto, in  
15 determining the federal adjusted gross income of an individual taxpayer, to  
16 the extent the deduction is attributable to income reported on schedule C,  
17 E or F and on line 12, 17 or 18 of the taxpayer's form 1040 federal income  
18 tax return.

19 (xxi) For taxable years beginning after December 31, 2012, and  
20 ending before January 1, 2017, the amount of any deduction for pension,  
21 profit sharing, and annuity plans of self-employed individuals under  
22 section 62(a)(6) of the federal internal revenue code as in effect on January  
23 1, 2012, and amendments thereto, in determining the federal adjusted gross  
24 income of an individual taxpayer.

25 (xxii) For taxable years beginning after December 31, 2012, and  
26 ending before January 1, 2017, the amount of any deduction for health  
27 insurance under section 162(l) of the federal internal revenue code as in  
28 effect on January 1, 2012, and amendments thereto, in determining the  
29 federal adjusted gross income of an individual taxpayer.

30 (xxiii) For taxable years beginning after December 31, 2012, and  
31 ending before January 1, 2017, the amount of any deduction for domestic  
32 production activities under section 199 of the federal internal revenue code  
33 as in effect on January 1, 2012, and amendments thereto, in determining  
34 the federal adjusted gross income of an individual taxpayer.

35 (xxiv) For taxable years commencing after December 31, 2013, that  
36 portion of the amount of any expenditure deduction claimed in  
37 determining federal adjusted gross income for expenses paid for medical  
38 care of the taxpayer or the taxpayer's spouse or dependents when such  
39 expenses were paid or incurred for an abortion, or for a health benefit plan,  
40 as defined in K.S.A. 2017 Supp. 65-6731, and amendments thereto, for the  
41 purchase of an optional rider for coverage of abortion in accordance with  
42 K.S.A. 2017 Supp. 40-2,190, and amendments thereto, to the extent that  
43 such taxes and assessments are claimed as an itemized deduction for

1 federal income tax purposes.

2 (xxv) For taxable years commencing after December 31, 2013, that  
3 portion of the amount of any expenditure deduction claimed in  
4 determining federal adjusted gross income for expenses paid by a taxpayer  
5 for health care when such expenses were paid or incurred for abortion  
6 coverage, a health benefit plan, as defined in K.S.A. 2017 Supp. 65-6731,  
7 and amendments thereto, when such expenses were paid or incurred for  
8 abortion coverage or amounts contributed to health savings accounts for  
9 such taxpayer's employees for the purchase of an optional rider for  
10 coverage of abortion in accordance with K.S.A. 2017 Supp. 40-2,190, and  
11 amendments thereto, to the extent that such taxes and assessments are  
12 claimed as a deduction for federal income tax purposes.

13 (c) There shall be subtracted from federal adjusted gross income:

14 (i) Interest or dividend income on obligations or securities of any  
15 authority, commission or instrumentality of the United States and its  
16 possessions less any related expenses directly incurred in the purchase of  
17 such obligations or securities, to the extent included in federal adjusted  
18 gross income but exempt from state income taxes under the laws of the  
19 United States.

20 (ii) Any amounts received which are included in federal adjusted  
21 gross income but which are specifically exempt from Kansas income  
22 taxation under the laws of the state of Kansas.

23 (iii) The portion of any gain or loss from the sale or other disposition  
24 of property having a higher adjusted basis for Kansas income tax purposes  
25 than for federal income tax purposes on the date such property was sold or  
26 disposed of in a transaction in which gain or loss was recognized for  
27 purposes of federal income tax that does not exceed such difference in  
28 basis, but if a gain is considered a long-term capital gain for federal  
29 income tax purposes, the modification shall be limited to that portion of  
30 such gain which is included in federal adjusted gross income.

31 (iv) The amount necessary to prevent the taxation under this act of  
32 any annuity or other amount of income or gain which was properly  
33 included in income or gain and was taxed under the laws of this state for a  
34 taxable year prior to the effective date of this act, as amended, to the  
35 taxpayer, or to a decedent by reason of whose death the taxpayer acquired  
36 the right to receive the income or gain, or to a trust or estate from which  
37 the taxpayer received the income or gain.

38 (v) The amount of any refund or credit for overpayment of taxes on  
39 or measured by income or fees or payments in lieu of income taxes  
40 imposed by this state, or any taxing jurisdiction, to the extent included in  
41 gross income for federal income tax purposes.

42 (vi) Accumulation distributions received by a taxpayer as a  
43 beneficiary of a trust to the extent that the same are included in federal

1 adjusted gross income.

2 (vii) Amounts received as annuities under the federal civil service  
3 retirement system from the civil service retirement and disability fund and  
4 other amounts received as retirement benefits in whatever form which  
5 were earned for being employed by the federal government or for service  
6 in the armed forces of the United States.

7 (viii) Amounts received by retired railroad employees as a  
8 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and  
9 228c (a)(1) et seq.

10 (ix) Amounts received by retired employees of a city and by retired  
11 employees of any board of such city as retirement allowances pursuant to  
12 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter  
13 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and  
14 amendments thereto.

15 (x) For taxable years beginning after December 31, 1976, the amount  
16 of the federal tentative jobs tax credit disallowance under the provisions of  
17 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the  
18 amount of the targeted jobs tax credit and work incentive credit  
19 disallowances under 26 U.S.C. § 280 C.

20 (xi) For taxable years beginning after December 31, 1986, dividend  
21 income on stock issued by Kansas venture capital, inc.

22 (xii) For taxable years beginning after December 31, 1989, amounts  
23 received by retired employees of a board of public utilities as pension and  
24 retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249,  
25 and amendments thereto.

26 (xiii) For taxable years beginning after December 31, 2004, amounts  
27 contributed to and the amount of income earned on contributions deposited  
28 to an individual development account under K.S.A. 2017 Supp. 74-50,201  
29 et seq., and amendments thereto.

30 (xiv) For all taxable years commencing after December 31, 1996, that  
31 portion of any income of a bank organized under the laws of this state or  
32 any other state, a national banking association organized under the laws of  
33 the United States, an association organized under the savings and loan  
34 code of this state or any other state, or a federal savings association  
35 organized under the laws of the United States, for which an election as an  
36 S corporation under subchapter S of the federal internal revenue code is in  
37 effect, which accrues to the taxpayer who is a stockholder of such  
38 corporation and which is not distributed to the stockholders as dividends of  
39 the corporation. For taxable years beginning after December 31, 2012, and  
40 ending before January 1, 2017, the amount of modification under this  
41 subsection shall exclude the portion of income or loss reported on schedule  
42 E and included on line 17 of the taxpayer's form 1040 federal individual  
43 income tax return.



1 (xv) For all taxable years beginning after December 31, 2006,  
2 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a  
3 joint return, for each designated beneficiary which are contributed to a  
4 family postsecondary education savings account established under the  
5 Kansas postsecondary education savings program or a qualified tuition  
6 program established and maintained by another state or agency or  
7 instrumentality thereof pursuant to section 529 of the internal revenue  
8 code of 1986, as amended, for the purpose of paying the qualified higher  
9 education expenses of a designated beneficiary at an institution of  
10 postsecondary education. The terms and phrases used in this paragraph  
11 shall have the meaning respectively ascribed thereto by the provisions of  
12 K.S.A. 2017 Supp. 75-643, and amendments thereto, and the provisions of  
13 such section are hereby incorporated by reference for all purposes thereof.

14 (xvi) For all taxable years beginning after December 31, 2004,  
15 amounts received by taxpayers who are or were members of the armed  
16 forces of the United States, including service in the Kansas army and air  
17 national guard, as a recruitment, sign up or retention bonus received by  
18 such taxpayer as an incentive to join, enlist or remain in the armed services  
19 of the United States, including service in the Kansas army and air national  
20 guard, and amounts received for repayment of educational or student loans  
21 incurred by or obligated to such taxpayer and received by such taxpayer as  
22 a result of such taxpayer's service in the armed forces of the United States,  
23 including service in the Kansas army and air national guard.

24 (xvii) For all taxable years beginning after December 31, 2004,  
25 amounts received by taxpayers who are eligible members of the Kansas  
26 army and air national guard as a reimbursement pursuant to K.S.A. 48-  
27 281, and amendments thereto, and amounts received for death benefits  
28 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section  
29 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and  
30 amendments thereto, to the extent that such death benefits are included in  
31 federal adjusted gross income of the taxpayer.

32 (xviii) For the taxable year beginning after December 31, 2006,  
33 amounts received as benefits under the federal social security act which  
34 are included in federal adjusted gross income of a taxpayer with federal  
35 adjusted gross income of \$50,000 or less, whether such taxpayer's filing  
36 status is single, head of household, married filing separate or married filing  
37 jointly; and for all taxable years beginning after December 31, 2007,  
38 amounts received as benefits under the federal social security act which  
39 are included in federal adjusted gross income of a taxpayer with federal  
40 adjusted gross income of \$75,000 or less, whether such taxpayer's filing  
41 status is single, head of household, married filing separate or married filing  
42 jointly.

43 (xix) Amounts received by retired employees of Washburn university

1 as retirement and pension benefits under the university's retirement plan.

2 (xx) For taxable years beginning after December 31, 2012, and  
3 ending before January 1, 2017, the amount of any: (1) Net profit from  
4 business as determined under the federal internal revenue code and  
5 reported from schedule C and on line 12 of the taxpayer's form 1040  
6 federal individual income tax return; (2) net income, not including  
7 guaranteed payments as defined in section 707(c) of the federal internal  
8 revenue code and as reported to the taxpayer from federal schedule K-1,  
9 (form 1065-B), in box 9, code F or as reported to the taxpayer from federal  
10 schedule K-1, (form 1065) in box 4, from rental real estate, royalties,  
11 partnerships, S corporations, estates, trusts, residual interest in real estate  
12 mortgage investment conduits and net farm rental as determined under the  
13 federal internal revenue code and reported from schedule E and on line 17  
14 of the taxpayer's form 1040 federal individual income tax return; and (3)  
15 net farm profit as determined under the federal internal revenue code and  
16 reported from schedule F and on line 18 of the taxpayer's form 1040  
17 federal income tax return; all to the extent included in the taxpayer's  
18 federal adjusted gross income. For purposes of this subsection, references  
19 to the federal form 1040 and federal schedule C, schedule E, and schedule  
20 F, shall be to such form and schedules as they existed for tax year 2011  
21 and as revised thereafter by the internal revenue service.

22 (xxi) For all taxable years beginning after December 31, 2013,  
23 amounts equal to the unreimbursed travel, lodging and medical  
24 expenditures directly incurred by a taxpayer while living, or a dependent  
25 of the taxpayer while living, for the donation of one or more human organs  
26 of the taxpayer, or a dependent of the taxpayer, to another person for  
27 human organ transplantation. The expenses may be claimed as a  
28 subtraction modification provided for in this section to the extent the  
29 expenses are not already subtracted from the taxpayer's federal adjusted  
30 gross income. In no circumstances shall the subtraction modification  
31 provided for in this section for any individual, or a dependent, exceed  
32 \$5,000. As used in this section, "human organ" means all or part of a liver,  
33 pancreas, kidney, intestine, lung or bone marrow. The provisions of this  
34 paragraph shall take effect on the day the secretary of revenue certifies to  
35 the director of the budget that the cost for the department of revenue of  
36 modifications to the automated tax system for the purpose of  
37 implementing this paragraph will not exceed \$20,000.

38 (xxii) For taxable years beginning after December 31, 2012, and  
39 ending before January 1, 2017, the amount of net gain from the sale of: (1)  
40 Cattle and horses, regardless of age, held by the taxpayer for draft,  
41 breeding, dairy or sporting purposes, and held by such taxpayer for 24  
42 months or more from the date of acquisition; and (2) other livestock,  
43 regardless of age, held by the taxpayer for draft, breeding, dairy or

1 sporting purposes, and held by such taxpayer for 12 months or more from  
2 the date of acquisition. The subtraction from federal adjusted gross income  
3 shall be limited to the amount of the additions recognized under the  
4 provisions of subsection (b)(xix) attributable to the business in which the  
5 livestock sold had been used. As used in this paragraph, the term  
6 "livestock" shall not include poultry.

7 (xxiii) For all taxable years beginning after December 31, 2012,  
8 amounts received under either the Overland Park, Kansas police  
9 department retirement plan or the Overland Park, Kansas fire department  
10 retirement plan, both as established by the city of Overland Park, pursuant  
11 to the city's home rule authority.

12 (xxiv) For taxable years beginning after December 31, 2013, and  
13 ending before January 1, 2017, the net gain from the sale from Christmas  
14 trees grown in Kansas and held by the taxpayer for six years or more.

15 *(xxv) For all taxable years beginning after December 31, 2018, the*  
16 *amount equal to the amount of rent paid for rental real estate of real*  
17 *property used in providing broadband in a rural area as these terms are*  
18 *defined in section 1, and amendments thereto.*

19 (d) There shall be added to or subtracted from federal adjusted gross  
20 income the taxpayer's share, as beneficiary of an estate or trust, of the  
21 Kansas fiduciary adjustment determined under K.S.A. 79-32,135, and  
22 amendments thereto.

23 (e) The amount of modifications required to be made under this  
24 section by a partner which relates to items of income, gain, loss, deduction  
25 or credit of a partnership shall be determined under K.S.A. 79-32,131, and  
26 amendments thereto, to the extent that such items affect federal adjusted  
27 gross income of the partner.

28 (f) No taxpayer shall be assessed penalties and interest from the  
29 underpayment of taxes due to changes to this section that became law on  
30 July 1, 2017, so long as such underpayment is rectified on or before April  
31 17, 2018.

32 Sec. 4. K.S.A. 2017 Supp. 79-3606 is hereby amended to read as  
33 follows: 79-3606. The following shall be exempt from the tax imposed by  
34 this act:

35 (a) All sales of motor-vehicle fuel or other articles upon which a sales  
36 or excise tax has been paid, not subject to refund, under the laws of this  
37 state except cigarettes and electronic cigarettes as defined by K.S.A. 79-  
38 3301, and amendments thereto, including consumable material for such  
39 electronic cigarettes, cereal malt beverages and malt products as defined  
40 by K.S.A. 79-3817, and amendments thereto, including wort, liquid malt,  
41 malt syrup and malt extract, which is not subject to taxation under the  
42 provisions of K.S.A. 79-41a02, and amendments thereto, motor vehicles  
43 taxed pursuant to K.S.A. 79-5117, and amendments thereto, tires taxed

1 pursuant to K.S.A. 65-3424d, and amendments thereto, drycleaning and  
2 laundry services taxed pursuant to K.S.A. 65-34,150, and amendments  
3 thereto, and gross receipts from regulated sports contests taxed pursuant to  
4 the Kansas professional regulated sports act, and amendments thereto;

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

19 (c) all sales of tangible personal property or services, including the  
20 renting and leasing of tangible personal property, purchased directly by a  
21 public or private elementary or secondary school or public or private  
22 nonprofit educational institution and used primarily by such school or  
23 institution for nonsectarian programs and activities provided or sponsored  
24 by such school or institution or in the erection, repair or enlargement of  
25 buildings to be used for such purposes. The exemption herein provided  
26 shall not apply to erection, construction, repair, enlargement or equipment  
27 of buildings used primarily for human habitation;

28 (d) all sales of tangible personal property or services purchased by a  
29 contractor for the purpose of constructing, equipping, reconstructing,  
30 maintaining, repairing, enlarging, furnishing or remodeling facilities for  
31 any public or private nonprofit hospital or public hospital authority, public  
32 or private elementary or secondary school, a public or private nonprofit  
33 educational institution, state correctional institution including a privately  
34 constructed correctional institution contracted for state use and ownership,  
35 which would be exempt from taxation under the provisions of this act if  
36 purchased directly by such hospital or public hospital authority, school,  
37 educational institution or a state correctional institution; and all sales of  
38 tangible personal property or services purchased by a contractor for the  
39 purpose of constructing, equipping, reconstructing, maintaining, repairing,  
40 enlarging, furnishing or remodeling facilities for any political subdivision  
41 of the state or district described in subsection (s), the total cost of which is  
42 paid from funds of such political subdivision or district and which would  
43 be exempt from taxation under the provisions of this act if purchased

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

1 certificate was issued, the political subdivision, district described in  
2 subsection (s), hospital or public hospital authority, school, educational  
3 institution or the contractor contracting with the department of corrections  
4 for a correctional institution concerned shall be liable for tax on all  
5 materials purchased for the project, and upon payment thereof it may  
6 recover the same from the contractor together with reasonable attorney  
7 fees. Any contractor or any agent, employee or subcontractor thereof, who  
8 shall use or otherwise dispose of any materials purchased under such a  
9 certificate for any purpose other than that for which such a certificate is  
10 issued without the payment of the sales or compensating tax otherwise  
11 imposed upon such materials, shall be guilty of a misdemeanor and, upon  
12 conviction therefor, shall be subject to the penalties provided for in K.S.A.  
13 79-3615(h), and amendments thereto;

14 (e) all sales of tangible personal property or services purchased by a  
15 contractor for the erection, repair or enlargement of buildings or other  
16 projects for the government of the United States, its agencies or  
17 instrumentalities, which would be exempt from taxation if purchased  
18 directly by the government of the United States, its agencies or  
19 instrumentalities. When the government of the United States, its agencies  
20 or instrumentalities shall contract for the erection, repair, or enlargement  
21 of any building or other project, it shall obtain from the state and furnish to  
22 the contractor an exemption certificate for the project involved, and the  
23 contractor may purchase materials for incorporation in such project. The  
24 contractor shall furnish the number of such certificates to all suppliers  
25 from whom such purchases are made, and such suppliers shall execute  
26 invoices covering the same bearing the number of such certificate. Upon  
27 completion of the project the contractor shall furnish to the government of  
28 the United States, its agencies or instrumentalities concerned 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. As an  
31 alternative to the foregoing procedure, any such contracting entity may  
32 apply to the secretary of revenue for agent status for the sole purpose of  
33 issuing and furnishing project exemption certificates to contractors  
34 pursuant to rules and regulations adopted by the secretary establishing  
35 conditions and standards for the granting and maintaining of such status.  
36 All invoices shall be held by the contractor for a period of five years and  
37 shall be subject to audit by the director of taxation. Any contractor or any  
38 agent, employee or subcontractor thereof, who shall use or otherwise  
39 dispose of any materials purchased under such a certificate for any purpose  
40 other than that for which such a certificate is issued without the payment  
41 of the sales or compensating tax otherwise imposed upon such materials,  
42 shall be guilty of a misdemeanor and, upon conviction therefor, shall be  
43 subject to the penalties provided for in K.S.A. 79-3615(h), and

1 amendments thereto;

2 (f) tangible personal property purchased by a railroad or public utility  
3 for consumption or movement directly and immediately in interstate  
4 commerce;

5 (g) sales of aircraft including remanufactured and modified aircraft  
6 sold to persons using directly or through an authorized agent such aircraft  
7 as certified or licensed carriers of persons or property in interstate or  
8 foreign commerce under authority of the laws of the United States or any  
9 foreign government or sold to any foreign government or agency or  
10 instrumentality of such foreign government and all sales of aircraft for use  
11 outside of the United States and sales of aircraft repair, modification and  
12 replacement parts and sales of services employed in the remanufacture,  
13 modification and repair of aircraft;

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

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

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

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

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

33 (m) all sales of tangible personal property which become an  
34 ingredient or component part of tangible personal property or services  
35 produced, manufactured or compounded for ultimate sale at retail within  
36 or without the state of Kansas; and any such producer, manufacturer or  
37 compounder may obtain from the director of taxation and furnish to the  
38 supplier an exemption certificate number for tangible personal property for  
39 use as an ingredient or component part of the property or services  
40 produced, manufactured or compounded;

41 (n) all sales of tangible personal property which is consumed in the  
42 production, manufacture, processing, mining, drilling, refining or  
43 compounding of tangible personal property, the treating of by-products or

1 wastes derived from any such production process, the providing of  
2 services or the irrigation of crops for ultimate sale at retail within or  
3 without the state of Kansas; and any purchaser of such property may  
4 obtain from the director of taxation and furnish to the supplier an  
5 exemption certificate number for tangible personal property for  
6 consumption in such production, manufacture, processing, mining,  
7 drilling, refining, compounding, treating, irrigation and in providing such  
8 services;

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

15 (p) all sales of drugs dispensed pursuant to a prescription order by a  
16 licensed practitioner or a mid-level practitioner as defined by K.S.A. 65-  
17 1626, and amendments thereto. As used in this subsection, "drug" means a  
18 compound, substance or preparation and any component of a compound,  
19 substance or preparation, other than food and food ingredients, dietary  
20 supplements or alcoholic beverages, recognized in the official United  
21 States pharmacopoeia, official homeopathic pharmacopoeia of the United  
22 States or official national formulary, and supplement to any of them,  
23 intended for use in the diagnosis, cure, mitigation, treatment or prevention  
24 of disease or intended to affect the structure or any function of the body,  
25 except that for taxable years commencing after December 31, 2013, this  
26 subsection shall not apply to any sales of drugs used in the performance or  
27 induction of an abortion, as defined in K.S.A. 65-6701, and amendments  
28 thereto;

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

32 (r) all sales of oxygen delivery equipment, kidney dialysis equipment,  
33 enteral feeding systems, prosthetic devices and mobility enhancing  
34 equipment prescribed in writing by a person licensed to practice the  
35 healing arts, dentistry or optometry, and in addition to such sales, all sales  
36 of hearing aids, as defined by K.S.A. 74-5807(c), and amendments thereto,  
37 and repair and replacement parts therefor, including batteries, by a person  
38 licensed in the practice of dispensing and fitting hearing aids pursuant to  
39 the provisions of K.S.A. 74-5808, and amendments thereto. For the  
40 purposes of this subsection: (1) "Mobility enhancing equipment" means  
41 equipment including repair and replacement parts to same, but does not  
42 include durable medical equipment, which is primarily and customarily  
43 used to provide or increase the ability to move from one place to another



1 and which is appropriate for use either in a home or a motor vehicle; is not  
2 generally used by persons with normal mobility; and does not include any  
3 motor vehicle or equipment on a motor vehicle normally provided by a  
4 motor vehicle manufacturer; and (2) "prosthetic device" means a  
5 replacement, corrective or supportive device including repair and  
6 replacement parts for same worn on or in the body to artificially replace a  
7 missing portion of the body, prevent or correct physical deformity or  
8 malfunction or support a weak or deformed portion of the body;

9 (s) except as provided in K.S.A. 2017 Supp. 82a-2101, and  
10 amendments thereto, all sales of tangible personal property or services  
11 purchased directly or indirectly by a groundwater management district  
12 organized or operating under the authority of K.S.A. 82a-1020 et seq., and  
13 amendments thereto, by a rural water district organized or operating under  
14 the authority of K.S.A. 82a-612, and amendments thereto, or by a water  
15 supply district organized or operating under the authority of K.S.A. 19-  
16 3501 et seq., 19-3522 et seq., or 19-3545, and amendments thereto, which  
17 property or services are used in the construction activities, operation or  
18 maintenance of the district;

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

1 operation of a nursery;

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

5 (v) all sales of tangible personal property to any contractor for use in  
6 preparing meals for delivery to homebound elderly persons over 60 years  
7 of age and to homebound disabled persons or to be served at a group-  
8 sitting at a location outside of the home to otherwise homebound elderly  
9 persons over 60 years of age and to otherwise homebound disabled  
10 persons, as all or part of any food service project funded in whole or in  
11 part by government or as part of a private nonprofit food service project  
12 available to all such elderly or disabled persons residing within an area of  
13 service designated by the private nonprofit organization, and all sales of  
14 tangible personal property for use in preparing meals for consumption by  
15 indigent or homeless individuals whether or not such meals are consumed  
16 at a place designated for such purpose, and all sales of food products by or  
17 on behalf of any such contractor or organization for any such purpose;

18 (w) all sales of natural gas, electricity, heat and water delivered  
19 through mains, lines or pipes: (1) To residential premises for  
20 noncommercial use by the occupant of such premises; (2) for agricultural  
21 use and also, for such use, all sales of propane gas; (3) for use in the  
22 severing of oil; and (4) to any property which is exempt from property  
23 taxation pursuant to K.S.A. 79-201b, *Second* through *Sixth*. As used in this  
24 paragraph, "severing" shall have the meaning ascribed thereto by K.S.A.  
25 79-4216(k), and amendments thereto. For all sales of natural gas,  
26 electricity and heat delivered through mains, lines or pipes pursuant to the  
27 provisions of subsection (w)(1) and (w)(2), the provisions of this  
28 subsection shall expire on December 31, 2005;

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

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

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

39 (aa) all sales of materials and services applied to equipment which is  
40 transported into the state from without the state for repair, service,  
41 alteration, maintenance, remanufacture or modification and which is  
42 subsequently transported outside the state for use in the transmission of  
43 liquids or natural gas by means of pipeline in interstate or foreign

1 commerce under authority of the laws of the United States;

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

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

1 K.S.A. 74-50,115(e), and amendments thereto, prior to January 1, 2012,  
2 and have not expired will be effective for the term of the project or two  
3 years from the effective date of the certificate, whichever occurs earlier.  
4 Project exemption certificates that are submitted to the department of  
5 revenue prior to January 1, 2012, and are found to qualify will be issued a  
6 project exemption certificate that will be effective for a two-year period or  
7 for the term of the project, whichever occurs earlier;

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

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

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

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

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

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

40 (jj) all sales of tangible personal property or services, including the  
41 renting and leasing of tangible personal property, purchased directly on  
42 behalf of a community-based facility for people with intellectual disability  
43 or mental health center organized pursuant to K.S.A. 19-4001 et seq., and

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

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

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

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

19 (2) For purposes of this subsection:

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

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

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

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

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

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

43 (3) For purposes of this subsection, machinery and equipment shall

1 be deemed to be used as an integral or essential part of an integrated  
2 production operation when used:

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

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

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

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

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

16 (F) to plan, manage, control or record the receipt and flow of  
17 inventories of raw materials, consumables and component parts, the flow  
18 of the property undergoing manufacturing or processing and the  
19 management of inventories of the finished product;

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

23 (H) to package the property being manufactured or processed in a  
24 container or wrapping in which such property is normally sold or  
25 transported;

26 (I) to transmit or transport electricity, coke, gas, water, steam or  
27 similar substances used in production operations from the point of  
28 generation, if produced by the manufacturer or processor at the plant site,  
29 to that manufacturer's production operation; or, if purchased or delivered  
30 from off-site, from the point where the substance enters the site of the  
31 plant or facility to that manufacturer's production operations;

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

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

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

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

42 (4) The following machinery, equipment and materials shall be  
43 deemed to be exempt even though it may not otherwise qualify as

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

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

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

31 (B) machinery, equipment and tools used primarily in maintaining  
32 and repairing any type of machinery and equipment or the building and  
33 plant;

34 (C) transportation, transmission and distribution equipment not  
35 primarily used in a production, warehousing or material handling  
36 operation at the plant or facility, including the means of conveyance of  
37 natural gas, electricity, oil or water, and equipment related thereto, located  
38 outside the plant or facility;

39 (D) office machines and equipment including computers and related  
40 peripheral equipment not used directly and primarily to control or measure  
41 the manufacturing process;

42 (E) furniture and other furnishings;

43 (F) buildings, other than exempt machinery and equipment that is



1 permanently affixed to or becomes a physical part of the building, and any  
2 other part of real estate that is not otherwise exempt;

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

6 (H) machinery and equipment used for general plant heating, cooling  
7 and lighting;

8 (I) motor vehicles that are registered for operation on public  
9 highways; or

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

13 (6) Subsections (3) and (5) shall not be construed as exclusive listings  
14 of the machinery and equipment that qualify or do not qualify as an  
15 integral or essential part of an integrated production operation. When  
16 machinery or equipment is used as an integral or essential part of  
17 production operations part of the time and for nonproduction purposes at  
18 other times, the primary use of the machinery or equipment shall  
19 determine whether or not such machinery or equipment qualifies for  
20 exemption.

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

23 (ll) all sales of educational materials purchased for distribution to the  
24 public at no charge by a nonprofit corporation organized for the purpose of  
25 encouraging, fostering and conducting programs for the improvement of  
26 public health, except that for taxable years commencing after December  
27 31, 2013, this subsection shall not apply to any sales of such materials  
28 purchased by a nonprofit corporation which performs any abortion, as  
29 defined in K.S.A. 65-6701, and amendments thereto;

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

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

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

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

42 (qq) all sales of tangible personal property and services purchased by  
43 a nonprofit museum or historical society or any combination thereof,

1 including a nonprofit organization which is organized for the purpose of  
2 stimulating public interest in the exploration of space by providing  
3 educational information, exhibits and experiences, which is exempt from  
4 federal income taxation pursuant to section 501(c)(3) of the federal  
5 internal revenue code of 1986;

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

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

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

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

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

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

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

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

40 (4) the American diabetes association Kansas affiliate, inc. for the  
41 purpose of eliminating diabetes through medical research, public education  
42 focusing on disease prevention and education, patient education including  
43 information on coping with diabetes, and professional education and

1 training;

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

7 (6) the Kansas chapters of the Alzheimer's disease and related  
8 disorders association, inc. for the purpose of providing assistance and  
9 support to persons in Kansas with Alzheimer's disease, and their families  
10 and caregivers;

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

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

17 (9) the heartstrings community foundation for the purpose of  
18 providing training, employment and activities for adults with  
19 developmental disabilities;

20 (10) the cystic fibrosis foundation, heart of America chapter, for the  
21 purposes of assuring the development of the means to cure and control  
22 cystic fibrosis and improving the quality of life for those with the disease;

23 (11) the spina bifida association of Kansas for the purpose of  
24 providing financial, educational and practical aid to families and  
25 individuals with spina bifida. Such aid includes, but is not limited to,  
26 funding for medical devices, counseling and medical educational  
27 opportunities;

28 (12) the CHWC, Inc., for the purpose of rebuilding urban core  
29 neighborhoods through the construction of new homes, acquiring and  
30 renovating existing homes and other related activities, and promoting  
31 economic development in such neighborhoods;

32 (13) the cross-lines cooperative council for the purpose of providing  
33 social services to low income individuals and families;

34 (14) the dreams work, inc., for the purpose of providing young adult  
35 day services to individuals with developmental disabilities and assisting  
36 families in avoiding institutional or nursing home care for a  
37 developmentally disabled member of their family;

38 (15) the KSDS, Inc., for the purpose of promoting the independence  
39 and inclusion of people with disabilities as fully participating and  
40 contributing members of their communities and society through the  
41 training and providing of guide and service dogs to people with  
42 disabilities, and providing disability education and awareness to the  
43 general public;

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

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

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

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

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

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

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

24 (23) the angel babies association, for the purpose of providing  
25 assistance, support and items of necessity to teenage mothers and their  
26 babies; and

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

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

32 (xx) all sales of tangible personal property and services purchased by  
33 a nonprofit zoo which is exempt from federal income taxation pursuant to  
34 section 501(c)(3) of the federal internal revenue code of 1986, or on behalf  
35 of such zoo by an entity itself exempt from federal income taxation  
36 pursuant to section 501(c)(3) of the federal internal revenue code of 1986  
37 contracted with to operate such zoo and all sales of tangible personal  
38 property or services purchased by a contractor for the purpose of  
39 constructing, equipping, reconstructing, maintaining, repairing, enlarging,  
40 furnishing or remodeling facilities for any nonprofit zoo which would be  
41 exempt from taxation under the provisions of this section if purchased  
42 directly by such nonprofit zoo or the entity operating such zoo. Nothing in  
43 this subsection shall be deemed to exempt the purchase of any construction

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

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

37 (zz) all sales of machinery and equipment purchased by over-the-air,  
38 free access radio or television station which is used directly and primarily  
39 for the purpose of producing a broadcast signal or is such that the failure  
40 of the machinery or equipment to operate would cause broadcasting to  
41 cease. For purposes of this subsection, machinery and equipment shall  
42 include, but not be limited to, that required by rules and regulations of the  
43 federal communications commission, and all sales of electricity which are

1 essential or necessary for the purpose of producing a broadcast signal or is  
2 such that the failure of the electricity would cause broadcasting to cease;

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

1 penalties provided for in K.S.A. 79-3615(h), and amendments thereto.  
2 Sales tax paid on and after July 1, 1998, but prior to the effective date of  
3 this act upon the gross receipts received from any sale exempted by the  
4 amendatory provisions of this subsection shall be refunded. Each claim for  
5 a sales tax refund shall be verified and submitted to the director of taxation  
6 upon forms furnished by the director and shall be accompanied by any  
7 additional documentation required by the director. The director shall  
8 review each claim and shall refund that amount of sales tax paid as  
9 determined under the provisions of this subsection. All refunds shall be  
10 paid from the sales tax refund fund upon warrants of the director of  
11 accounts and reports pursuant to vouchers approved by the director or the  
12 director's designee;

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

19 (ccc) on and after July 1, 1999, all sales of tangible personal property  
20 and services purchased by a primary care clinic or health center the  
21 primary purpose of which is to provide services to medically underserved  
22 individuals and families, and which is exempt from federal income  
23 taxation pursuant to section 501(c)(3) of the federal internal revenue code,  
24 and all sales of tangible personal property or services purchased by a  
25 contractor for the purpose of constructing, equipping, reconstructing,  
26 maintaining, repairing, enlarging, furnishing or remodeling facilities for  
27 any such clinic or center which would be exempt from taxation under the  
28 provisions of this section if purchased directly by such clinic or center,  
29 except that for taxable years commencing after December 31, 2013, this  
30 subsection shall not apply to any sales of such tangible personal property  
31 and services purchased by a primary care clinic or health center which  
32 performs any abortion, as defined in K.S.A. 65-6701, and amendments  
33 thereto. Nothing in this subsection shall be deemed to exempt the purchase  
34 of any construction machinery, equipment or tools used in the  
35 constructing, equipping, reconstructing, maintaining, repairing, enlarging,  
36 furnishing or remodeling facilities for any such clinic or center. When any  
37 such clinic or center shall contract for the purpose of constructing,  
38 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or  
39 remodeling facilities, it shall obtain from the state and furnish to the  
40 contractor an exemption certificate for the project involved, and the  
41 contractor may purchase materials for incorporation in such project. The  
42 contractor shall furnish the number of such certificate to all suppliers from  
43 whom such purchases are made, and such suppliers shall execute invoices

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

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

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

39 (fff) all sales of material handling equipment, racking systems and  
40 other related machinery and equipment that is used for the handling,  
41 movement or storage of tangible personal property in a warehouse or  
42 distribution facility in this state; all sales of installation, repair and  
43 maintenance services performed on such machinery and equipment; and



1 all sales of repair and replacement parts for such machinery and  
2 equipment. For purposes of this subsection, a warehouse or distribution  
3 facility means a single, fixed location that consists of buildings or  
4 structures in a contiguous area where storage or distribution operations are  
5 conducted that are separate and apart from the business' retail operations,  
6 if any, and which do not otherwise qualify for exemption as occurring at a  
7 manufacturing or processing plant or facility. Material handling and  
8 storage equipment shall include aeration, dust control, cleaning, handling  
9 and other such equipment that is used in a public grain warehouse or other  
10 commercial grain storage facility, whether used for grain handling, grain  
11 storage, grain refining or processing, or other grain treatment operation;

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

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

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

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

35 (jjj) all sales of dietary supplements dispensed pursuant to a  
36 prescription order by a licensed practitioner or a mid-level practitioner as  
37 defined by K.S.A. 65-1626, and amendments thereto. As used in this  
38 subsection, "dietary supplement" means any product, other than tobacco,  
39 intended to supplement the diet that: (1) Contains one or more of the  
40 following dietary ingredients: A vitamin, a mineral, an herb or other  
41 botanical, an amino acid, a dietary substance for use by humans to  
42 supplement the diet by increasing the total dietary intake or a concentrate,  
43 metabolite, constituent, extract or combination of any such ingredient; (2)

1 is intended for ingestion in tablet, capsule, powder, softgel, gelcap or  
2 liquid form, or if not intended for ingestion, in such a form, is not  
3 represented as conventional food and is not represented for use as a sole  
4 item of a meal or of the diet; and (3) is required to be labeled as a dietary  
5 supplement, identifiable by the supplemental facts box found on the label  
6 and as required pursuant to 21 C.F.R. § 101.36;

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

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

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

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

31 (ppp) all sales of tangible personal property and services purchased  
32 by or on behalf of a homeless shelter which is exempt from federal income  
33 taxation pursuant to section 501(c)(3) of the federal income tax code of  
34 1986, and used by any such homeless shelter to provide emergency and  
35 transitional housing for individuals and families experiencing  
36 homelessness, and all sales of any such property by or on behalf of any  
37 such homeless shelter for any such purpose;

38 (qqq) all sales of tangible personal property and services purchased  
39 by TLC for children and families, inc., hereinafter referred to as TLC,  
40 which is exempt from federal income taxation pursuant to section 501(c)  
41 (3) of the federal internal revenue code of 1986, and which such property  
42 and services are used for the purpose of providing emergency shelter and  
43 treatment for abused and neglected children as well as meeting additional

1 critical needs for children, juveniles and family, and all sales of any such  
2 property by or on behalf of TLC for any such purpose; and all sales of  
3 tangible personal property or services purchased by a contractor for the  
4 purpose of constructing, maintaining, repairing, enlarging, furnishing or  
5 remodeling facilities for the operation of services for TLC for any such  
6 purpose which would be exempt from taxation under the provisions of this  
7 section if purchased directly by TLC. Nothing in this subsection shall be  
8 deemed to exempt the purchase of any construction machinery, equipment  
9 or tools used in the constructing, maintaining, repairing, enlarging,  
10 furnishing or remodeling such facilities for TLC. When TLC contracts for  
11 the purpose of constructing, maintaining, repairing, enlarging, furnishing  
12 or remodeling such facilities, it shall obtain from the state and furnish to  
13 the 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 TLC a sworn  
19 statement, on a form to be provided by the director of taxation, that all  
20 purchases so made were entitled to exemption under this subsection. All  
21 invoices shall be held by the contractor for a period of five years and shall  
22 be subject to audit by the director of taxation. If any materials purchased  
23 under such a certificate are found not to have been incorporated in the  
24 building or other project or not to have been returned for credit or the sales  
25 or compensating tax otherwise imposed upon such materials which will  
26 not be so incorporated in the building or other project reported and paid by  
27 such contractor to the director of taxation not later than the 20<sup>th</sup> day of the  
28 month following the close of the month in which it shall be determined  
29 that such materials will not be used for the purpose for which such  
30 certificate was issued, TLC 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 shall use  
34 or otherwise dispose of any materials 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 upon such materials, shall be guilty of a misdemeanor and, upon  
38 conviction therefor, shall be subject to the penalties provided for in K.S.A.  
39 79-3615(h), and amendments thereto;

40 (rrr) all sales of tangible personal property and services purchased by  
41 any county law library maintained pursuant to law and sales of tangible  
42 personal property and services purchased by an organization which would  
43 have been exempt from taxation under the provisions of this subsection if

1 purchased directly by the county law library for the purpose of providing  
2 legal resources to attorneys, judges, students and the general public, and  
3 all sales of any such property by or on behalf of any such county law  
4 library;

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

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

9 (ttt) all sales of tangible personal property or services purchased by a  
10 contractor for a project for the purpose of restoring, constructing,  
11 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or  
12 remodeling a home or facility owned by a nonprofit museum which has  
13 been granted an exemption pursuant to subsection (qq), which such home  
14 or facility is located in a city which has been designated as a qualified  
15 hometown pursuant to the provisions of K.S.A. 75-5071 et seq., and  
16 amendments thereto, and which such project is related to the purposes of  
17 K.S.A. 75-5071 et seq., and amendments thereto, and which would be  
18 exempt from taxation under the provisions of this section if purchased  
19 directly by such nonprofit museum. Nothing in this subsection shall be  
20 deemed to exempt the purchase of any construction machinery, equipment  
21 or tools used in the restoring, constructing, equipping, reconstructing,  
22 maintaining, repairing, enlarging, furnishing or remodeling a home or  
23 facility for any such nonprofit museum. When any such nonprofit museum  
24 shall contract for the purpose of restoring, constructing, equipping,  
25 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling  
26 a home or facility, 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 certificates to all suppliers  
30 from whom such purchases are made, and such suppliers shall execute  
31 invoices covering the same bearing the number of such certificate. Upon  
32 completion of the project, the contractor shall furnish to such nonprofit  
33 museum 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 which will not be so incorporated in a home or facility or other  
41 project reported and paid by such contractor to the director of taxation not  
42 later than the 20<sup>th</sup> day of the month following the close of the month in  
43 which it shall be determined that such materials will not be used for the

1 purpose for which such certificate was issued, such nonprofit museum  
2 shall be liable for tax on all materials purchased for the project, and upon  
3 payment 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 (uuu) all sales of tangible personal property and services purchased  
12 by Kansas children's service league, hereinafter referred to as KCSL,  
13 which is exempt from federal income taxation pursuant to section 501(c)  
14 (3) of the federal internal revenue code of 1986, and which such property  
15 and services are used for the purpose of providing for the prevention and  
16 treatment of child abuse and maltreatment as well as meeting additional  
17 critical needs for children, juveniles and family, and all sales of any such  
18 property by or on behalf of KCSL for any such purpose; and all sales of  
19 tangible personal property or services purchased by a contractor for the  
20 purpose of constructing, maintaining, repairing, enlarging, furnishing or  
21 remodeling facilities for the operation of services for KCSL for any such  
22 purpose which would be exempt from taxation under the provisions of this  
23 section if purchased directly by KCSL. Nothing in this subsection shall be  
24 deemed to exempt the purchase of any construction machinery, equipment  
25 or tools used in the constructing, maintaining, repairing, enlarging,  
26 furnishing or remodeling such facilities for KCSL. When KCSL contracts  
27 for the purpose of constructing, maintaining, repairing, enlarging,  
28 furnishing or remodeling such facilities, it shall obtain from the state and  
29 furnish to the contractor an exemption certificate for the project involved,  
30 and the contractor may purchase materials for incorporation in such  
31 project. The contractor shall furnish the number of such certificate to all  
32 suppliers from whom such purchases are made, and such suppliers shall  
33 execute invoices covering the same bearing the number of such certificate.  
34 Upon completion of the project the contractor shall furnish to KCSL a  
35 sworn statement, on a form to be provided by the director of taxation, that  
36 all purchases so made were entitled to exemption under this subsection.  
37 All invoices shall be held by the contractor for a period of five years and  
38 shall be subject to audit by the director of taxation. If any materials  
39 purchased under such a certificate are found not to have been incorporated  
40 in the building or other project or not to have been returned for credit or  
41 the sales or compensating tax otherwise imposed upon such materials  
42 which will not be so incorporated in the building or other project reported  
43 and paid by such contractor to the director of taxation not later than the

1 20<sup>th</sup> day of the month following the close of the month in which it shall be  
2 determined that such materials will not be used for the purpose for which  
3 such certificate was issued, KCSL shall be liable for tax on all materials  
4 purchased for the project, and upon payment thereof it may recover the  
5 same from the contractor together with reasonable attorney fees. Any  
6 contractor or any agent, employee or subcontractor thereof, who shall use  
7 or otherwise dispose of any materials purchased under such a certificate  
8 for any purpose other than that for which such a certificate is issued  
9 without the payment of the sales or compensating tax otherwise imposed  
10 upon such materials, shall be guilty of a misdemeanor and, upon  
11 conviction therefor, shall be subject to the penalties provided for in K.S.A.  
12 79-3615(h), and amendments thereto;

13 (vuv) all sales of tangible personal property or services, including the  
14 renting and leasing of tangible personal property or services, purchased by  
15 jazz in the woods, inc., a Kansas corporation which is exempt from federal  
16 income taxation pursuant to section 501(c)(3) of the federal internal  
17 revenue code, for the purpose of providing jazz in the woods, an event  
18 benefiting children-in-need and other nonprofit charities assisting such  
19 children, and all sales of any such property by or on behalf of such  
20 organization for such purpose;

21 (www) all sales of tangible personal property purchased by or on  
22 behalf of the Frontenac education foundation, which is exempt from  
23 federal income taxation pursuant to section 501(c)(3) of the federal  
24 internal revenue code, for the purpose of providing education support for  
25 students, and all sales of any such property by or on behalf of such  
26 organization for such purpose;

27 (xxx) all sales of personal property and services purchased by the  
28 booth theatre foundation, inc., an organization which is exempt from  
29 federal income taxation pursuant to section 501(c)(3) of the federal  
30 internal revenue code of 1986, and which such personal property and  
31 services are used by any such organization in the constructing, equipping,  
32 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling  
33 of the booth theatre, and all sales of tangible personal property or services  
34 purchased by a contractor for the purpose of constructing, equipping,  
35 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling  
36 the booth theatre for such organization, which would be exempt from  
37 taxation under the provisions of this section if purchased directly by such  
38 organization. Nothing in this subsection shall be deemed to exempt the  
39 purchase of any construction machinery, equipment or tools used in the  
40 constructing, equipping, reconstructing, maintaining, repairing, enlarging,  
41 furnishing or remodeling facilities for any such organization. When any  
42 such organization shall contract for the purpose of constructing, equipping,  
43 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling



1 facilities, it shall obtain from the state and furnish to the contractor an  
2 exemption certificate for the project involved, and the contractor may  
3 purchase materials for incorporation in such project. The contractor shall  
4 furnish the number of such certificate to all suppliers from whom such  
5 purchases are made, and such suppliers shall execute invoices covering the  
6 same bearing the number of such certificate. Upon completion of the  
7 project the contractor shall furnish to such organization concerned a sworn  
8 statement, on a form to be provided by the director of taxation, that all  
9 purchases so made were entitled to exemption under this subsection. All  
10 invoices shall be held by the contractor for a period of five years and shall  
11 be subject to audit by the director of taxation. If any materials purchased  
12 under such a certificate are found not to have been incorporated in such  
13 facilities or not to have been returned for credit or the sales or  
14 compensating tax otherwise imposed upon such materials which will not  
15 be so incorporated in such facilities reported and paid by such contractor  
16 to the director of taxation not later than the 20<sup>th</sup> day of the month following  
17 the close of the month in which it shall be determined that such materials  
18 will not be used for the purpose for which such certificate was issued, such  
19 organization concerned shall be liable for tax on all materials purchased  
20 for the project, and upon payment thereof it may recover the same from  
21 the contractor together with reasonable attorney fees. Any contractor or  
22 any agent, employee or subcontractor thereof, who shall use or otherwise  
23 dispose of any materials purchased under such a certificate for any purpose  
24 other than that for which such a certificate is issued without the payment  
25 of the sales or compensating tax otherwise imposed upon such materials,  
26 shall be guilty of a misdemeanor and, upon conviction therefor, shall be  
27 subject to the penalties provided for in K.S.A. 79-3615(h), and  
28 amendments thereto. Sales tax paid on and after January 1, 2007, but prior  
29 to the effective date of this act upon the gross receipts received from any  
30 sale which would have been exempted by the provisions of this subsection  
31 had such sale occurred after the effective date of this act shall be refunded.  
32 Each claim for a sales tax refund shall be verified and submitted to the  
33 director of taxation upon forms furnished by the director and shall be  
34 accompanied by any additional documentation required by the director.  
35 The director shall review each claim and shall refund that amount of sales  
36 tax paid as determined under the provisions of this subsection. All refunds  
37 shall be paid from the sales tax refund fund upon warrants of the director  
38 of accounts and reports pursuant to vouchers approved by the director or  
39 the director's designee;

40 (yyy) all sales of tangible personal property and services purchased  
41 by TLC charities foundation, inc., hereinafter referred to as TLC charities,  
42 which is exempt from federal income taxation pursuant to section 501(c)  
43 (3) of the federal internal revenue code of 1986, and which such property

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

42 (zzz) all sales of tangible personal property purchased by the rotary  
43 club of shawnee foundation which is exempt from federal income taxation

1 pursuant to section 501(c)(3) of the federal internal revenue code of 1986,  
2 as amended, used for the purpose of providing contributions to community  
3 service organizations and scholarships;

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

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

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

24 (dddd) all sales of tangible personal property or services purchased  
25 by or on behalf of goodwill industries or Easter seals of Kansas, inc., both  
26 of which are exempt from federal income taxation pursuant to section  
27 501(c)(3) of the federal internal revenue code, for the purpose of providing  
28 education, training and employment opportunities for people with  
29 disabilities and other barriers to employment;

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

37 (ffff) all sales of tangible personal property and services purchased by  
38 sheltered living, inc., which is exempt from federal income taxation  
39 pursuant to section 501(c)(3) of the federal internal revenue code of 1986,  
40 and which such property and services are used for the purpose of  
41 providing residential and day services for people with developmental  
42 disabilities or intellectual disability, or both, and all sales of any such  
43 property by or on behalf of sheltered living, inc., for any such purpose; and

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

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

42 (hhhh) all sales of tangible personal property or services purchased  
43 on or after July 1, 2014, for the purpose of and in conjunction with

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

27 (iii) all sales of tangible personal property or services purchased by a  
28 contractor for the purpose of constructing, maintaining, repairing,  
29 enlarging, furnishing or remodeling facilities for the operation of services  
30 for Wichita children's home for any such purpose which would be exempt  
31 from taxation under the provisions of this section if purchased directly by  
32 Wichita children's home. Nothing in this subsection shall be deemed to  
33 exempt the purchase of any construction machinery, equipment or tools  
34 used in the constructing, maintaining, repairing, enlarging, furnishing or  
35 remodeling such facilities for Wichita children's home. When Wichita  
36 children's home contracts for the purpose of constructing, maintaining,  
37 repairing, enlarging, furnishing or remodeling such facilities, it shall obtain  
38 from the state and furnish to the contractor an exemption certificate for the  
39 project involved, and the contractor may purchase materials for  
40 incorporation in such project. The contractor shall furnish the number of  
41 such certificate to all suppliers from whom such purchases are made, and  
42 such suppliers shall execute invoices covering the same bearing the  
43 number of such certificate. Upon completion of the project, the contractor

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

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

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

34 (llll) all sales of tangible personal property and services purchased by  
35 Gove county healthcare endowment foundation, inc., which is exempt  
36 from federal income taxation pursuant to section 501(c)(3) of the federal  
37 internal revenue code of 1986, and which such property and services are  
38 used for the purpose of constructing and equipping an airport in Quinter,  
39 Kansas, and all sales of tangible personal property or services purchased  
40 by a contractor for the purpose of constructing and equipping an airport in  
41 Quinter, Kansas, for such organization, which would be exempt from  
42 taxation under the provisions of this section if purchased directly by such  
43 organization. Nothing in this subsection shall be deemed to exempt the

1 purchase of any construction machinery, equipment or tools used in the  
2 constructing or equipping of facilities for such organization. When such  
3 organization shall contract for the purpose of constructing or equipping an  
4 airport in Quinter, Kansas, it shall obtain from the state and furnish to the  
5 contractor an exemption certificate for the project involved, and the  
6 contractor may purchase materials for incorporation in such project. The  
7 contractor shall furnish the number of such certificate to all suppliers from  
8 whom such purchases are made, and such suppliers shall execute invoices  
9 covering the same bearing the number of such certificate. Upon  
10 completion of the project, the contractor shall furnish to such organization  
11 concerned a sworn statement, on a form to be provided by the director of  
12 taxation, that all purchases so made were entitled to exemption under this  
13 subsection. All invoices shall be held by the contractor for a period of five  
14 years and shall be subject to audit by the director of taxation. If any  
15 materials purchased under such a certificate are found not to have been  
16 incorporated in such facilities or not to have been returned for credit or the  
17 sales or compensating tax otherwise imposed upon such materials which  
18 will not be so incorporated in such facilities reported and paid by such  
19 contractor to the director of taxation no later than the 20<sup>th</sup> day of the month  
20 following the close of the month in which it shall be determined that such  
21 materials will not be used for the purpose for which such certificate was  
22 issued, such organization concerned shall be liable for tax on all materials  
23 purchased for the project, and upon payment thereof it may recover the  
24 same from the contractor together with reasonable attorney fees. Any  
25 contractor or any agent, employee or subcontractor thereof, who purchased  
26 under such a certificate for any purpose other than that for which such a  
27 certificate is issued without the payment of the sales or compensating tax  
28 otherwise imposed upon such materials, shall be guilty of a misdemeanor  
29 and, upon conviction therefor, shall be subject to the penalties provided for  
30 in K.S.A. 79-3615(h), and amendments thereto. The provisions of this  
31 subsection shall expire and have no effect on and after July 1, 2019; and  
32 *(mmmm) all sales of tangible personal property used to provide*  
33 *broadband in a rural area as these terms are defined in section 1, and*  
34 *amendments thereto.*

35 Sec. 5. K.S.A. 2017 Supp. 79-32,117 and 79-3606 are hereby  
36 repealed.

37 Sec. 6. This act shall take effect and be in force from and after its  
38 publication in the statute book.