SENATE BILL No. 22

By Committee on Federal and State Affairs


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

Section 1. K.S.A. 2018 Supp. 79-32,117 is hereby amended to read as follows: 79-32,117. (a) The Kansas adjusted gross income of an individual means such individual's federal adjusted gross income for the taxable year, with the modifications specified in this section.

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

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

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

(iv) Federal income tax refunds received by the taxpayer if the deduction of the taxes being refunded resulted in a tax benefit for Kansas income tax purposes during a prior taxable year. Such refunds shall be included in income in the year actually received regardless of the method of accounting used by the taxpayer. For purposes hereof, a tax benefit shall be deemed to have resulted if the amount of the tax had been deducted in determining income subject to a Kansas income tax for a prior year regardless of the rate of taxation applied in such prior year to the Kansas taxable income, but only that portion of the refund shall be included as bears the same proportion to the total refund received as the federal taxes deducted in the year to which such refund is attributable bears to the total federal income taxes paid for such year. For purposes of the foregoing sentence, federal taxes shall be considered to have been deducted only to the extent such deduction does not reduce Kansas taxable income below zero.

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

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

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

(viii) The amount of any costs incurred for improvements to a swine facility, claimed for deduction in determining federal adjusted gross income, to the extent the same is claimed as the basis for any credit allowed pursuant to K.S.A. 2018 Supp. 79-32,204, and amendments thereto.

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

(x) Amounts received as nonqualified withdrawals, as defined by
K.S.A. 2018 Supp. 75-643, and amendments thereto, if, at the time of
contribution to a family postsecondary education savings account, such
amounts were subtracted from the federal adjusted gross income pursuant
to K.S.A. 79-32,117(c)(xv), and amendments thereto, or if such amounts
are not already included in the federal adjusted gross income.

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

(ii) For taxable years commencing after December 31, 2004,
amounts received as withdrawals not in accordance with the provisions of
K.S.A. 74-50,204, and amendments thereto, if, at the time of contribution
to an individual development account, such amounts were subtracted from
the federal adjusted gross income pursuant to subsection (c)(xiii), or if
such amounts are not already included in the federal adjusted gross
income.

(iii) The amount of any expenditures claimed for deduction in
determining federal adjusted gross income, to the extent the same is
claimed as the basis for any credit allowed pursuant to K.S.A. 2018 Supp.
79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

(iv) The amount of any amortization deduction claimed in
determining federal adjusted gross income to the extent the same is
claimed for deduction pursuant to K.S.A. 2018 Supp. 79-32,221, and
amendments thereto.

(v) The amount of any expenditures claimed for deduction in
determining federal adjusted gross income, to the extent the same is
claimed as the basis for any credit allowed pursuant to K.S.A. 2018 Supp.
through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-
32,248 or 79-32,251 through 79-32,254, and amendments thereto.

(vi) The amount of any amortization deduction claimed in
determining federal adjusted gross income to the extent the same is
claimed for deduction pursuant to K.S.A. 2018 Supp. 79-32,227, 79-
thereto.

(vii) The amount of any amortization deduction claimed in
determining federal adjusted gross income to the extent the same is
claimed for deduction pursuant to K.S.A. 2018 Supp. 79-32,256, and
amendments thereto.

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

(xix) For taxable years beginning after December 31, 2012, and
ending before January 1, 2017, the amount of any: (1) Loss from business
as determined under the federal internal revenue code and reported from
schedule C and on line 12 of the taxpayer's form 1040 federal individual
income tax return; (2) loss from rental real estate, royalties, partnerships, S
corporations, except those with wholly owned subsidiaries subject to the
Kansas privilege tax, estates, trusts, residual interest in real estate
mortgage investment conduits and net farm rental as determined under the
federal internal revenue code and reported from schedule E and on line 17
of the taxpayer's form 1040 federal individual income tax return; and (3)
farm loss as determined under the federal internal revenue code and
reported from schedule F and on line 18 of the taxpayer's form 1040
federal income tax return; all to the extent deducted or subtracted in
determining the taxpayer's federal adjusted gross income. For purposes of
this subsection, references to the federal form 1040 and federal schedule
C, schedule E, and schedule F, shall be to such form and schedules as they
existed for tax year 2011, and as revised thereafter by the internal revenue
service.

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

(xxii) For taxable years beginning after December 31, 2012, and
ending before January 1, 2017, the amount of any deduction for health
insurance under section 162(l) of the federal internal revenue code as in
effect on January 1, 2012, and amendments thereto, in determining the federal adjusted gross
income of an individual taxpayer.
ending before January 1, 2017, the amount of any deduction for domestic
production activities under section 199 of the federal internal revenue code
as in effect on January 1, 2012, and amendments thereto, in determining
the federal adjusted gross income of an individual taxpayer.

(xxiv) For taxable years commencing after December 31, 2013, that
portion of the amount of any expenditure deduction claimed in
determining federal adjusted gross income for expenses paid for medical
care of the taxpayer or the taxpayer's spouse or dependents when such
expenses were paid or incurred for an abortion, or for a health benefit plan,
as defined in K.S.A. 65-6731, and amendments thereto, for the purchase of
an optional rider for coverage of abortion in accordance with K.S.A. 2018
Supp. 40-2,190, and amendments thereto, to the extent that such taxes and
assessments are claimed as an itemized deduction for federal income tax
purposes.

(xxv) For taxable years commencing after December 31, 2013, that
portion of the amount of any expenditure deduction claimed in
determining federal adjusted gross income for expenses paid by a taxpayer
for health care when such expenses were paid or incurred for abortion
coverage, a health benefit plan, as defined in K.S.A. 65-6731, and
amendments thereto, when such expenses were paid or incurred for
abortion coverage or amounts contributed to health savings accounts for
such taxpayer's employees for the purchase of an optional rider for
coverage of abortion in accordance with K.S.A. 2018 Supp. 40-2,190, and
amendments thereto, to the extent that such taxes and assessments are
claimed as a deduction for federal income tax purposes.

(xxvi) For all taxable years beginning after December 31, 2016, the
amount of any charitable contribution made to the extent the same is
claimed as the basis for the credit allowed pursuant to K.S.A. 72-99a07,
and amendments thereto, and is also claimed as an itemized deduction for
federal income tax purposes.

(xxvii) For all taxable years commencing after December 31, 2016,
the amount of any deduction claimed under section 965(c) of the federal
internal revenue code of 1986, in determining federal adjusted gross
income.

(xxviii) For all taxable years commencing after December 31, 2017,
the amount of any deduction claimed under section 250(a)(1)(B) of the
federal internal revenue code of 1986, in determining federal adjusted
gross income.

(xxix) For all taxable years commencing after December 31, 2017,
the amount deducted by reason of a carry forward of disallowed business
interest pursuant to section 163(j) of the federal internal revenue code of
1986, as in effect on January 1, 2018.

(c) There shall be subtracted from federal adjusted gross income:
(i) Interest or dividend income on obligations or securities of any authority, commission or instrumentality of the United States and its possessions less any related expenses directly incurred in the purchase of such obligations or securities, to the extent included in federal adjusted gross income but exempt from state income taxes under the laws of the United States.

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

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

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

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

(vi) Accumulation distributions received by a taxpayer as a beneficiary of a trust to the extent that the same are included in federal adjusted gross income.

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

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

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

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

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

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

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

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

(xv) For all taxable years beginning after December 31, 2006, amounts not exceeding $3,000, or $6,000 for a married couple filing a joint return, for each designated beneficiary which are contributed to a family postsecondary education savings account established under the Kansas postsecondary education savings program or a qualified tuition program established and maintained by another state or agency or instrumentality thereof pursuant to section 529 of the internal revenue code of 1986, as amended, for the purpose of paying the qualified higher education expenses of a designated beneficiary at an institution of postsecondary education. The terms and phrases used in this paragraph shall have the meaning respectively ascribed thereto by the provisions of K.S.A. 2018 Supp. 75-643, and amendments thereto, and the provisions of such section are hereby incorporated by reference for all purposes thereof.
(xvi) For all taxable years beginning after December 31, 2004, amounts received by taxpayers who are or were members of the armed forces of the United States, including service in the Kansas army and air national guard, as a recruitment, sign up or retention bonus received by such taxpayer as an incentive to join, enlist or remain in the armed services of the United States, including service in the Kansas army and air national guard, and amounts received for repayment of educational or student loans incurred by or obligated to such taxpayer and received by such taxpayer as a result of such taxpayer's service in the armed forces of the United States, including service in the Kansas army and air national guard.

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

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

(xix) Amounts received by retired employees of Washburn university as retirement and pension benefits under the university's retirement plan.

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

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

(xxii) For taxable years beginning after December 31, 2012, and ending before January 1, 2017, the amount of net gain from the sale of: (1) Cattle and horses, regardless of age, held by the taxpayer for draft, breeding, dairy or sporting purposes, and held by such taxpayer for 24 months or more from the date of acquisition; and (2) other livestock, regardless of age, held by the taxpayer for draft, breeding, dairy or sporting purposes, and held by such taxpayer for 12 months or more from the date of acquisition. The subtraction from federal adjusted gross income shall be limited to the amount of the additions recognized under the provisions of subsection (b)(xix) attributable to the business in which the livestock sold had been used. As used in this paragraph, the term "livestock" shall not include poultry.

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

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

(xxv) For all taxable years commencing after December 31, 2016, 100% of deferred foreign income as used in determining federal adjusted gross income. Deferred foreign income shall include income under section 965(a) of the federal internal revenue code of 1986, before any deductions allowed under section 965(c) of the code.

(xxvi) For all taxable years commencing after December 31, 2017, 100% of global intangible low-taxed income. Global intangible low-taxed income shall include income under section 951A of the federal internal revenue code of 1986, before any deductions allowed under section 250(a)(1)(B) of the code.

(xxvii) For all taxable years commencing after December 31, 2017, the amount disallowed as a deduction pursuant to section 163(j) of the federal internal revenue code of 1986, as in effect on January 1, 2018.

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

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

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

(g) A taxpayer may file an amended return, as provided by law, for a prior tax year due to any changes to this section that became law on July 1, 2019. Any changes to this section that became law on July 1, 2019, shall be applied retroactively to the dates indicated in those subsections.

Sec. 2. K.S.A. 2018 Supp. 79-32,120 is hereby amended to read as follows: 79-32,120. (a) (1) For all tax years prior to tax year 2018, if federal taxable income of an individual is determined by itemizing deductions from such individual's federal adjusted gross income, such individual may elect to deduct the Kansas itemized deduction in lieu of the Kansas standard deduction. For tax year 2018, and all tax years thereafter, an individual may elect to deduct the Kansas itemized deduction in lieu of the Kansas standard deduction regardless of whether or not such individual's federal taxable income is determined by itemizing deductions from such individual's federal adjusted gross income.

(2) For the tax year commencing on January 1, 2012, the Kansas itemized deduction of an individual means 70% of the total amount of-
deductions from federal adjusted gross income, other than federal
deductions for personal exemptions, as provided in the federal internal
revenue code with the modifications specified in this section.

(3) For the tax year commencing on January 1, 2014, the Kansas
itemized deduction of an individual means 65% of the total amount of
deductions from federal adjusted gross income, other than federal
deductions for personal exemptions, as provided in the federal internal
revenue code with the modifications specified in this section.

(4) For the tax years commencing on and after January 1, 2015, and
ending before January 1, 2018, the Kansas itemized deduction of an
individual means the following deductions from federal adjusted gross
income, other than federal deductions for personal exemptions, as
provided in the federal internal revenue code with the modifications
specified in this section: (A) 100% of charitable contributions that qualify
as charitable contributions allowable as deductions in section 170 of the
federal internal revenue code; (B) 50% of the amount of qualified
residence interest as provided in section 163(h) of the federal internal
revenue code; and (C) 50% of the amount of taxes on real and personal
property as provided in section 164(a) of the federal internal revenue code.

(5) For the tax year commencing on and after January 1, 2018, and
ending before January 1, 2019, the Kansas itemized deduction of an
individual means the following deductions from federal adjusted gross
income, other than federal deductions for personal exemptions, as
provided in the federal internal revenue code with the modifications
specified in this section: (A) 100% of charitable contributions that qualify
as charitable contributions allowable as deductions in section 170 of the
federal internal revenue code; (B) 75% of expenses for medical care
allowable as deductions in section 213 of the federal internal revenue
code; (C) 75% of the amount of qualified residence interest as provided in
section 163(h) of the federal internal revenue code; and (D) 50% of the
amount of taxes on real and personal property as provided in section
164(a) of the federal internal revenue code.

(6) For the tax year commencing on and after January 1, 2019, and
ending before January 1, 2020, the Kansas itemized deduction of an
individual means the following deductions from federal adjusted gross
income, other than federal deductions for personal exemptions, as
provided in the federal internal revenue code with the modifications
specified in this section: (A) 100% of charitable contributions that qualify
as charitable contributions allowable as deductions in section 170 of the
federal internal revenue code; (B) 75% of expenses for medical care
allowable as deductions in section 213 of the federal internal revenue
code; (C) 75% of the amount of qualified residence interest as provided in
section 163(h) of the federal internal revenue code; and (D) 75% of the
amount of taxes on real and personal property as provided in section 164(a) of the federal internal revenue code.

(9) For the tax years commencing on and after January 1, 2020, the Kansas itemized deduction of an individual means the following deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section: (A) 100% of charitable contributions that qualify as charitable contributions allowable as deductions in section 170 of the federal internal revenue code; (B) 100% of expenses for medical care allowable as deductions in section 213 of the federal internal revenue code; (C) 100% of the amount of qualified residence interest as provided in section 163(h) of the federal internal revenue code; and (D) 100% of the amount of taxes on real and personal property as provided in section 164(a) of the federal internal revenue code.

(b) The total amount of deductions from federal adjusted gross income shall be reduced by the total amount of income taxes imposed by or paid to this state or any other taxing jurisdiction to the extent that the same are deducted in determining the federal itemized deductions and by the amount of all depreciation deductions claimed for any real or tangible personal property upon which the deduction allowed by K.S.A. 2018 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto, is or has been claimed.

(c) A taxpayer may file an amended return on or before December 31, 2019, in order to elect to deduct the Kansas itemized deduction in lieu of the Kansas standard deduction pursuant to subsection (a)(1) for tax year 2018.

Sec. 3. K.S.A. 2018 Supp. 79-32,138 is hereby amended to read as follows: 79-32,138. (a) Kansas taxable income of a corporation taxable under this act shall be the corporation's federal taxable income for the taxable year with the modifications specified in this section, except that in determination of such federal taxable income for all taxable years commencing after December 31, 2017, section 118 of the federal internal revenue code of 1986 will be applied as in effect on December 21, 2017.

(b) There shall be added to federal taxable income: (i) The same modifications as are set forth in K.S.A. 79-32,117(b), and amendments thereto, with respect to resident individuals, except subsections (b)(xix), (b)(xx), (b)(xxi), (b)(xxii) and (b)(xxiii);


(iii) the amount of any charitable contribution deduction claimed for any contribution or gift to or for the use of any racially segregated...
educational institution;

(iv) for taxable years commencing December 31, 2013, that portion
of the amount of any expenditure deduction claimed in determining federal
adjusted gross income for expenses paid by a taxpayer for health care
when such expenses were paid or incurred for abortion coverage, a health
benefit plan, as defined in K.S.A. 65-6731, and amendments thereto, when
such expenses were paid or incurred for abortion coverage or amounts
contributed to health savings accounts for such taxpayer's employees for
the purchase of an optional rider for coverage of abortion in accordance
with K.S.A. 2018 Supp. 40-2,190, and amendments thereto;

(v) the amount of any charitable contribution deduction claimed for
any contribution or gift made to a scholarship granting organization to the
extent the same is claimed as the basis for the credit allowed pursuant to
K.S.A. 72-4357, and amendments thereto; and

(vi) the federal net operating loss deduction.

c) There shall be subtracted from federal taxable income: (i) The
same modifications as are set forth in K.S.A. 79-32,117(c), and
amendments thereto, with respect to resident individuals, except
subsection (c)(xx);

(ii) the federal income tax liability for any taxable year commencing
prior to December 31, 1971, for which a Kansas return was filed after
reduction for all credits thereon, except credits for payments on estimates
of federal income tax, credits for gasoline and lubricating oil tax, and for
foreign tax credits if, on the Kansas income tax return for such prior year,
the federal income tax deduction was computed on the basis of the federal
income tax paid in such prior year, rather than as accrued. Notwithstanding
the foregoing, the deduction for federal income tax liability for any year
shall not exceed that portion of the total federal income tax liability for
such year which bears the same ratio to the total federal income tax
liability for such year as the Kansas taxable income, as computed before
any deductions for federal income taxes and after application of
subsections (d) and (e) of this section as existing for such year, bears to the
federal taxable income for the same year;

(iii) an amount for the amortization deduction allowed pursuant to
32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto;

(iv) for all taxable years commencing after December 31, 1987, the
amount included in federal taxable income pursuant to the provisions of
section 78 of the internal revenue code; and

(v) for all taxable years commencing after December 31, 1987, 80%
of dividends from corporations incorporated outside of the United States
or the District of Columbia which are included in federal taxable income.

This paragraph does not apply to the amounts excluded from income
pursuant to K.S.A. 79-32,117(c)(xxv) and (c)(xxvi), and amendments thereto, or amounts added back pursuant to K.S.A. 79-32,117(b)(xxvii) and (xxviii), and amendments thereto; and

(vi) for all taxable years commencing after December 31, 2017, the amount disallowed as a deduction pursuant to section 162(r) of the federal internal revenue code of 1986, as in effect on January 1, 2018.

(d) If any corporation derives all of its income from sources within Kansas in any taxable year commencing after December 31, 1979, its Kansas taxable income shall be the sum resulting after application of subsections (a) through (c) hereof. Otherwise, such corporation's Kansas taxable income in any such taxable year, after excluding any refunds of federal income tax and before the deduction of federal income taxes provided by subsection (c)(ii) shall be allocated as provided in K.S.A. 79-3271 to K.S.A. 79-3293, inclusive, and amendments thereto, plus any refund of federal income tax as determined under K.S.A. 79-32,117(b)(iv), and amendments thereto, and minus the deduction for federal income taxes as provided by subsection (c)(ii) shall be such corporation's Kansas taxable income.

(e) A corporation may make an election with respect to its first taxable year commencing after December 31, 1982, whereby no addition modifications as provided for in subsection (b)(ii) and subtraction modifications as provided for in subsection (c)(iii) as those subsections existed prior to their amendment by this act, shall be required to be made for such taxable year.

(f) A taxpayer may file an amended return, as provided by law, for a prior tax year due to any changes to this section that became law on July 1, 2019. Any changes to this section that became law on July 1, 2019, shall be applied retroactively to the dates indicated in those subsections.

New Sec. 4. Sections 4 through 12, and amendments thereto, shall be known and may be cited as the Kansas main street parity act.

New Sec. 5. As used in the Kansas main street parity act:

(a) "Act" means the Kansas main street parity act.

(b) "Affiliated person" means a person that, with respect to another person: (1) Has an ownership interest of more than 5%, whether direct or indirect, in the other person; or (2) is related to the other person because a third person, or group of third persons who are affiliated persons with respect to each other, holds an ownership interest of more than 5%, whether direct or indirect, in the related persons.

(c) "Cumulative gross receipts" means gross receipts as defined in K.S.A. 79-3602, and amendments thereto, and includes the gross receipts received by the marketplace facilitator from its own direct sales combined with the gross receipts received from sales it facilitates.
for sellers or marketplace sellers.

(d) "Department" means the Kansas department of revenue.

(e) "Marketplace facilitator" means a person that, pursuant to an agreement with a marketplace seller, facilitates sales by such marketplace seller through a physical or electronic marketplace operated by the person, and engages:

(1) Directly or indirectly, through one or more affiliated persons in any of the following:
   (A) Transmitting or otherwise communicating the offer or acceptance between a buyer and marketplace seller;
   (B) owning or operating the infrastructure, electronic or physical, or technology that brings buyers and marketplace sellers together;
   (C) providing a virtual currency that buyers are allowed or required to use to purchase products from the marketplace seller; or
   (D) software development or research and development activities related to any of the activities described in this subsection, if such activities are directly related to a physical or electronic marketplace operated by the person or an affiliated person; and

(2) engages in any of the following activities with respect to the marketplace seller's products:
   (A) Payment processing services;
   (B) fulfillment, delivery or storage services;
   (C) listing products for sale;
   (D) setting prices;
   (E) branding sales as those of the marketplace facilitator;
   (F) order taking;
   (G) advertising or promotion; or
   (H) providing customer service or accepting or assisting with returns or exchanges.

A "marketplace facilitator" does not include a platform or forum that exclusively provides internet advertising services, including listing products for sale, so long as the internet advertising service platform or forum does not also engage directly or indirectly through one or more affiliated persons in the activities described in subsection (e).

A person is not a "marketplace facilitator" with respect to the sale or charges for rooms, lodgings or accommodations provided by a hotel, motel, inn or other place that provides the rooms, lodgings or accommodations for occupancy.

(f) "Marketplace seller" means a seller that makes retail sales through any physical or electronic marketplaces operated by a marketplace facilitator regardless of whether the seller is required to be registered with the department.

(g) "Platform" means an electronic or physical medium,
including a website or catalog, operated by a referrer.

(h) "Referral" means the transfer by a referrer of a potential customer to a seller or marketplace seller that advertises or lists products for sale on the referrer's platform.

(i) "Referrer" means a person, other than a person engaging in the business of printing a newspaper or publishing a newspaper, who contracts or otherwise agrees with a seller or marketplace seller to list or advertise for sale one or more items in any medium, including a website or catalog; receives a commission, fee or other consideration from the seller for the listing or advertisement; transfers, via telephone, internet link, or other means, a purchaser to a seller, marketplace seller or an affiliated person to complete the sale; and does not collect receipts from the purchasers for the transaction.

"Referrer" does not include a person that:

(1) Provides internet advertising services; and

(2) does not ever provide either the seller’s or marketplace seller's shipping terms or advertise whether the seller or marketplace seller charges sales tax.

(j) "Sale" or "sales" shall have the same meaning as defined in K.S.A. 79-3602(kk), and amendments thereto, whether or not such sales qualify for a sales tax exemption.

(k) "Seller" shall have the same meaning as defined in K.S.A. 79-3602(mm), and amendments thereto, and includes marketplace facilitators, whether making sales in the seller's own right or on behalf of marketplace sellers.

(l) "Tax" means the sales tax imposed under K.S.A. 79-3603, and amendments thereto, or the use tax imposed under K.S.A. 79-3703, and amendments thereto.

(m) "Transaction" means a sale of tangible personal property or a service by a marketplace seller including, but not limited to, all such marketplace seller's transactions for tangible personal property or a service, however consummated, including transactions completed on a website operated by:

(1) The marketplace seller;

(2) an affiliated person; or

(3) a contract party, including a marketplace facilitator.

(n) The meaning ascribed to words and phrases in K.S.A. 79-3602, and amendments thereto, insofar as practicable, shall be applicable herein unless otherwise provided.

New Sec. 6. (a) On and after October 1, 2019, any marketplace facilitator that meets the criteria in subsection (b) or that has a physical presence in this state, must collect and remit retail sales or use tax on all taxable retail sales made or facilitated by the
marketplace facilitator into this state pursuant to this act. Marketplace facilitators must begin collecting state and local retail sales or use taxes on taxable retail sales made or facilitated by the marketplace facilitator sourced to this state beginning on the first day of the next calendar month that is at least 30 days from the date that the marketplace facilitator met the threshold described in subsection (b).

(b) A marketplace facilitator is subject to subsection (a) if:

(1) (A) For calendar year 2018, the marketplace facilitator had in excess of $100,000 of cumulative gross receipts from retail sales sourced to this state;

(B) for the period beginning on January 1, 2019, through September 30, 2019, the marketplace facilitator had in excess of $100,000 of cumulative gross receipts from retail sales sourced to this state; or

(C) during the current or immediately preceding calendar year, the marketplace facilitator had in excess of $100,000 of cumulative gross receipts from retail sales sourced to this state.

(2) (A) For any marketplace facilitator who satisfies the provisions of subsection (b)(1), such retailer shall not be required to collect and remit any taxes from sales occurring prior to October 1, 2019.

(B) For any marketplace facilitator who satisfies the provisions of subsection (b)(1)(C) for sales in the current calendar year for the first time, such marketplace facilitator shall be required to collect and remit the tax on any sales in excess of the $100,000 of cumulative gross receipts from sales in the current calendar year by the marketplace facilitator to customers in this state.

New Sec. 7. (a) In addition to other applicable recordkeeping requirements, the department may require a marketplace facilitator or referrer to provide or make available to the department any information the department determines is reasonably necessary to enforce the provisions of this act, the Kansas retailers' sales tax act and the Kansas compensating tax act. Such information may include documentation of sales made by marketplace sellers through the marketplace facilitator's physical or electronic marketplace. The department may prescribe by rules and regulations the form and manner for providing this information.

(b) A marketplace facilitator is relieved of liability under this act for failure to collect the correct amount of tax to the extent that the marketplace facilitator can show to the department's satisfaction that the error was due to incorrect information given to the marketplace facilitator by the marketplace seller, unless the marketplace facilitator
and marketplace seller are affiliated persons. When the marketplace facilitator is relieved of liability under this subsection, the marketplace seller is solely liable for the amount of uncollected tax due.

(c) Except as otherwise provided in this section, a marketplace seller obligated to collect the taxes imposed under this act is not required to collect such taxes on all taxable retail sales through a marketplace operated by a marketplace facilitator if the marketplace seller entered into an agreement with the marketplace facilitator indicating that the marketplace facilitator is registered with the department and will collect all applicable taxes due under this act, the Kansas retailers' sales tax act or the Kansas compensating tax act on all taxable retail sales made on behalf of the marketplace seller through the marketplace operated by the marketplace facilitator. This subsection does not relieve a marketplace seller from liability for uncollected taxes due under this act, the Kansas retailers' sales tax act or the Kansas compensating tax act resulting from a marketplace facilitator's failure to collect the proper amount of tax due when the error was due to incorrect information given to the marketplace facilitator by the marketplace seller.

(d) No class action may be brought against a marketplace facilitator in any court of this state on behalf of purchasers arising from or in any way related to an overpayment of sales or use tax collected by the marketplace facilitator or referrer, regardless of whether that claim is characterized as a tax refund claim. Nothing in this subsection affects a purchaser's right to seek a refund from the department as provided by the Kansas retailers' sales tax act.

New Sec. 8. (a) Except as otherwise provided in this act, taxes imposed under the Kansas retailers' sales tax act or the Kansas compensating tax act and payable by a consumer directly to the department are due, on returns prescribed by the department, as prescribed by those acts.

(b) Nothing in this act affects the obligation of any purchaser from this state to remit retail sales or use tax as to any applicable taxable transaction in which the seller does not collect and remit retail sales or use tax.

New Sec. 9. (a) A marketplace facilitator that is subject to section 6, and amendments thereto, and is complying with the requirements of the Kansas retailers' sales tax act or the Kansas compensating tax act may only seek a recovery of retail sales and use taxes, penalties or interest from the department by following the recovery procedures established under the Kansas retailers' sales tax act. However, no claim may be granted on the basis that the taxpayer lacked a physical presence in this state and complied with the tax collection provisions
of the Kansas retailers' sales tax act or the Kansas compensating tax act voluntarily.

(b) Neither the state nor any marketplace facilitator who collects and remits retail sales or use tax under section 6, and amendments thereto, is liable to a purchaser that claims that the retail sales or use tax has been over-collected because a provision of this act is later deemed unlawful.

New Sec. 10. Except as otherwise provided in this act, the provisions of K.S.A. 79-3601 through 79-3696, and amendments thereto, relating to enforcement, collection and administration, insofar as practicable, shall have full force and effect with respect to taxes imposed under the provisions of the Kansas main street parity act.

New Sec. 11. The secretary of revenue shall adopt such rules and regulations as deemed necessary for the administration of this act.

New Sec. 12. If any provision of the Kansas main street parity act or the application thereof to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of the act that can be given effect without the invalid provision or application, and to this end the provisions of this act are severable.

New Sec. 13. (a) There is hereby levied and there shall be collected and paid a tax upon the gross receipts from the sale of food and food ingredients. Commencing on October 1, 2019, the rate of tax shall be 5.5%.

(b) The provisions of this section shall not apply to prepared food, unless sold without eating utensils provided by the seller and described below:

(1) Food sold by a seller whose proper primary NAICS classification is manufacturing in sector 311, except subsector 3118 (bakeries);

(2) (A) food sold in an unheated state by weight or volume as a single item; or

(B) only meat or seafood sold in an unheated state by weight or volume as a single item;

(3) bakery items, including bread, rolls, buns, biscuits, bagels, croissants, pastries, donuts, danish, cakes, tortes, pies, tarts, muffins, bars, cookies and tortillas;

(4) food sold that ordinarily requires additional cooking, as opposed to just reheating, by the consumer prior to consumption; or

(5) bottled water that is not otherwise sold as prepared food.

(c) The provisions of this section shall be a part of and supplemental to the Kansas retailers' sales tax act.

Sec. 14. K.S.A. 2018 Supp. 79-3602 is hereby amended to read as follows: 79-3602. Except as otherwise provided, as used in the Kansas
retailers' sales tax act:

(a) "Agent" means a person appointed by a seller to represent the seller before the member states.

(b) "Agreement" means the multistate agreement entitled the streamlined sales and use tax agreement approved by the streamlined sales tax implementing states at Chicago, Illinois on November 12, 2002.

(c) "Alcoholic beverages" means beverages that are suitable for human consumption and contain 0.05% or more of alcohol by volume.

(d) "Certified automated system (CAS)" means software certified under the agreement to calculate the tax imposed by each jurisdiction on a transaction, determine the amount of tax to remit to the appropriate state and maintain a record of the transaction.

(e) "Certified service provider (CSP)" means an agent certified under the agreement to perform all the seller's sales and use tax functions, other than the seller's obligation to remit tax on its own purchases.

(f) "Computer" means an electronic device that accepts information in digital or similar form and manipulates it for a result based on a sequence of instructions.

(g) "Computer software" means a set of coded instructions designed to cause a computer or automatic data processing equipment to perform a task.

(h) "Delivered electronically" means delivered to the purchaser by means other than tangible storage media.

(i) "Delivery charges" means charges by the seller of personal property or services for preparation and delivery to a location designated by the purchaser of personal property or services including, but not limited to, transportation, shipping, postage, handling, crating and packing. Delivery charges shall not include charges for delivery of direct mail if the charges are separately stated on an invoice or similar billing document given to the purchaser.

(j) "Direct mail" means printed material delivered or distributed by United States mail or other delivery services to a mass audience or to addressees on a mailing list provided by the purchaser or at the direction of the purchaser when the cost of the items are not billed directly to the recipients. Direct mail includes tangible personal property supplied directly or indirectly by the purchaser to the direct mail seller for inclusion in the package containing the printed material. Direct mail does not include multiple items of printed material delivered to a single address.

(k) "Director" means the state director of taxation.

(l) "Educational institution" means any nonprofit school, college
and university that offers education at a level above the 12th grade, and conducts regular classes and courses of study required for accreditation by, or membership in, the higher learning commission, the state board of education, or that otherwise qualify as an "educational institution," as defined by K.S.A. 74-50,103, and amendments thereto. Such phrase shall include: (1) A group of educational institutions that operates exclusively for an educational purpose; (2) nonprofit endowment associations and foundations organized and operated exclusively to receive, hold, invest and administer moneys and property as a permanent fund for the support and sole benefit of an educational institution; (3) nonprofit trusts, foundations and other entities organized and operated principally to hold and own receipts from intercollegiate sporting events and to disburse such receipts, as well as grants and gifts, in the interest of collegiate and intercollegiate athletic programs for the support and sole benefit of an educational institution; and (4) nonprofit trusts, foundations and other entities organized and operated for the primary purpose of encouraging, fostering and conducting scholarly investigations and industrial and other types of research for the support and sole benefit of an educational institution.

(m) "Electronic" means relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic or similar capabilities.

(n) "Food and food ingredients" means substances, whether in liquid, concentrated, solid, frozen, dried or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. "Food and food ingredients" does not include alcoholic beverages, candy, dietary supplements, food sold through vending machines, soft drinks or tobacco. "Food and food ingredients" does include bottled water.

(o) "Gross receipts" means the total selling price or the amount received as defined in this act, in money, credits, property or other consideration valued in money from sales at retail within this state; and embraced within the provisions of this act. The taxpayer, may take credit in the report of gross receipts for: (1) An amount equal to the selling price of property returned by the purchaser when the full sale price thereof, including the tax collected, is refunded in cash or by credit; and (2) an amount equal to the allowance given for the trade-in of property.

(p) "Ingredient or component part" means tangible personal property which is necessary or essential to, and which is actually used in and becomes an integral and material part of tangible personal property or services produced, manufactured or compounded for sale
by the producer, manufacturer or compounder in its regular course of
business. The following items of tangible personal property are hereby
declared to be ingredients or component parts, but the listing of such
property shall not be deemed to be exclusive nor shall such listing be
construed to be a restriction upon, or an indication of, the type or
types of property to be included within the definition of "ingredient or
component part" as herein set forth:

(1) Containers, labels and shipping cases used in the distribution
of property produced, manufactured or compounded for sale which
are not to be returned to the producer, manufacturer or compounder
for reuse.

(2) Containers, labels, shipping cases, paper bags, drinking
straws, paper plates, paper cups, twine and wrapping paper used in
the distribution and sale of property taxable under the provisions of
this act by wholesalers and retailers and which is not to be returned to
such wholesaler or retailer for reuse.

(3) Seeds and seedlings for the production of plants and plant
products produced for resale.

(4) Paper and ink used in the publication of newspapers.

(5) Fertilizer used in the production of plants and plant products
produced for resale.

(6) Feed for animals, fowl and aquatic plants and animals, the
primary purpose of which is use in agriculture or aquaculture, as
defined in K.S.A. 47-1901, and amendments thereto, the production of
food for human consumption, the production of animal, dairy, poultry
or aquatic plant and animal products, fiber, fur, or the production of
offspring for use for any such purpose or purposes.

(q) "Isolated or occasional sale" means the nonrecurring sale of
tangible personal property, or services taxable hereunder by a person
not engaged at the time of such sale in the business of selling such
property or services. Any religious organization which makes a
nonrecurring sale of tangible personal property acquired for the
purpose of resale shall be deemed to be not engaged at the time of such
sale in the business of selling such property. Such term shall include:
(1) Any sale by a bank, savings and loan institution, credit union or
any finance company licensed under the provisions of the Kansas
uniform consumer credit code of tangible personal property which has
been repossessed by any such entity; and (2) any sale of tangible
personal property made by an auctioneer or agent on behalf of not
more than two principals or households if such sale is nonrecurring
and any such principal or household is not engaged at the time of such
sale in the business of selling tangible personal property.

(r) "Lease or rental" means any transfer of possession or control
of tangible personal property for a fixed or indeterminate term for
consideration. A lease or rental may include future options to purchase
or extend.

(1) Lease or rental does not include: (A) A transfer of possession
or control of property under a security agreement or deferred
payment plan that requires the transfer of title upon completion of the
required payments;

(B) a transfer or possession or control of property under an
agreement that requires the transfer of title upon completion of
required payments and payment of an option price does not exceed
the greater of $100 or 1% of the total required payments; or

(C) providing tangible personal property along with an operator
for a fixed or indeterminate period of time. A condition of this
exclusion is that the operator is necessary for the equipment to
perform as designed. For the purpose of this subsection, an operator
must do more than maintain, inspect or set-up the tangible personal
property.

(2) Lease or rental does include agreements covering motor
vehicles and trailers where the amount of consideration may be
increased or decreased by reference to the amount realized upon sale
or disposition of the property as defined in 26 U.S.C. § 7701(h)(1).

(3) This definition shall be used for sales and use tax purposes
regardless if a transaction is characterized as a lease or rental under
generally accepted accounting principles, the internal revenue code,
the uniform commercial code, K.S.A. 84-1-101 et seq., and
amendments thereto, or other provisions of federal, state or local law.

(4) This definition will be applied only prospectively from the
effective date of this act and will have no retroactive impact on
existing leases or rentals.

(s) "Load and leave" means delivery to the purchaser by use of a
tangible storage media where the tangible storage media is not
physically transferred to the purchaser.

(t) "Member state" means a state that has entered in the
agreement, pursuant to provisions of article VIII of the agreement.

(u) "Model 1 seller" means a seller that has selected a CSP as its
agent to perform all the seller's sales and use tax functions, other than
the seller's obligation to remit tax on its own purchases.

(v) "Model 2 seller" means a seller that has selected a CAS to
perform part of its sales and use tax functions, but retains
responsibility for remitting the tax.

(w) "Model 3 seller" means a seller that has sales in at least five
member states, has total annual sales revenue of at least $500,000,000,
has a proprietary system that calculates the amount of tax due each
jurisdiction and has entered into a performance agreement with the
member states that establishes a tax performance standard for the
seller. As used in this subsection a seller includes an affiliated group of
sellers using the same proprietary system.

(x) "Municipal corporation" means any city incorporated under
the laws of Kansas.

(y) "Nonprofit blood bank" means any nonprofit place,
organization, institution or establishment that is operated wholly or in
part for the purpose of obtaining, storing, processing, preparing for
transfusing, furnishing, donating or distributing human blood or parts
or fractions of single blood units or products derived from single blood
units, whether or not any remuneration is paid therefor, or whether
such procedures are done for direct therapeutic use or for storage for
future use of such products.

(z) "Persons" means any individual, firm, copartnership, joint
adventure, association, corporation, estate or trust, receiver or trustee,
or any group or combination acting as a unit, and the plural as well as
the singular number; and shall specifically mean any city or other
political subdivision of the state of Kansas engaging in a business or
providing a service specifically taxable under the provisions of this act.

(aa) "Political subdivision" means any municipality, agency or
subdivision of the state which is, or shall hereafter be, authorized to
levy taxes upon tangible property within the state or which certifies a
levy to a municipality, agency or subdivision of the state which is, or
shall hereafter be, authorized to levy taxes upon tangible property
within the state. Such term also shall include any public building
commission, housing, airport, port, metropolitan transit or similar
authority established pursuant to law and the horsethief reservoir
benefit district established pursuant to K.S.A. 82a-2201, and
amendments thereto.

(bb) "Prescription" means an order, formula or recipe issued in
any form of oral, written, electronic or other means of transmission by
a duly licensed practitioner authorized by the laws of this state.

(cc) "Prewritten computer software" means computer software,
including prewritten upgrades, which is not designed and developed
by the author or other creator to the specifications of a specific
purchaser. The combining of two or more prewritten computer
software programs or prewritten portions thereof does not cause the
combination to be other than prewritten computer software.
Prewritten computer software includes software designed and
developed by the author or other creator to the specifications of a
specific purchaser when it is sold to a person other than the purchaser.
Where a person modifies or enhances computer software of which the
person is not the author or creator, the person shall be deemed to be
the author or creator only of such person's modifications or
enhancements. Prewritten computer software or a prewritten portion
thereof that is modified or enhanced to any degree, where such
modification or enhancement is designed and developed to the
specifications of a specific purchaser, remains prewritten computer
software, except that where there is a reasonable, separately stated
charge or an invoice or other statement of the price given to the
purchaser for such modification or enhancement, such modification or
enhancement shall not constitute prewritten computer software.

(dd) "Property which is consumed" means tangible personal
property which is essential or necessary to and which is used in the
actual process of and consumed, depleted or dissipated within one
year in: (1) The production, manufacture, processing, mining, drilling,
refining or compounding of tangible personal property; (2) the
providing of services; (3) the irrigation of crops, for sale in the regular
course of business; or (4) the storage or processing of grain by a public
grain warehouse or other grain storage facility, and which is not
reusable for such purpose. The following is a listing of tangible
personal property, included by way of illustration but not of
limitation, which qualifies as property which is consumed:

(A) Insecticides, herbicides, germicides, pesticides, fungicides,
fumigants, antibiotics, biologicals, pharmaceuticals, vitamins and
chemicals for use in commercial or agricultural production,
processing or storage of fruit, vegetables, feeds, seeds, grains, animals
or animal products whether fed, injected, applied, combined with or
otherwise used;

(B) electricity, gas and water; and

(C) petroleum products, lubricants, chemicals, solvents, reagents
and catalysts.

(ee) "Purchase price" applies to the measure subject to use tax
and has the same meaning as sales price.

(ff) "Purchaser" means a person to whom a sale of personal
property is made or to whom a service is furnished.

(gg) "Quasi-municipal corporation" means any county, township,
school district, drainage district or any other governmental
subdivision in the state of Kansas having authority to receive or hold
moneys or funds.

(hh) "Registered under this agreement" means registration by a
seller with the member states under the central registration system
provided in article IV of the agreement.

(ii) "Retailer" means a seller regularly engaged in the business of
selling, leasing or renting tangible personal property at retail or
furnishing electrical energy, gas, water, services or entertainment, and
selling only to the user or consumer and not for resale.

(jj) "Retail sale" or "sale at retail" means any sale, lease or rental
for any purpose other than for resale, sublease or subrent.

(kk) "Sale" or "sales" means the exchange of tangible personal
property, as well as the sale thereof for money, and every transaction,
conditional or otherwise, for a consideration, constituting a sale,
including the sale or furnishing of electrical energy, gas, water,
services or entertainment taxable under the terms of this act and
including, except as provided in the following provision, the sale of the
use of tangible personal property by way of a lease, license to use or
the rental thereof regardless of the method by which the title,
possession or right to use the tangible personal property is
transferred. The term "sale" or "sales" shall not mean the sale of the
use of any tangible personal property used as a dwelling by way of a
lease or rental thereof for a term of more than 28 consecutive days.

(ll) (1) "Sales or selling price" applies to the measure subject to
sales tax and means the total amount of consideration, including cash,
credit, property and services, for which personal property or services
are sold, leased or rented, valued in money, whether received in money
or otherwise, without any deduction for the following:

(A) The seller's cost of the property sold;
(B) the cost of materials used, labor or service cost, interest,
losses, all costs of transportation to the seller, all taxes imposed on the
seller and any other expense of the seller;
(C) charges by the seller for any services necessary to complete
the sale, other than delivery and installation charges;
(D) delivery charges; and
(E) installation charges.

(2) "Sales or selling price" includes consideration received by the
seller from third parties if:

(A) The seller actually receives consideration from a party other
than the purchaser and the consideration is directly related to a price
reduction or discount on the sale;
(B) the seller has an obligation to pass the price reduction or
discount through to the purchaser;
(C) the amount of the consideration attributable to the sale is
fixed and determinable by the seller at the time of the sale of the item
to the purchaser; and

(D) one of the following criteria is met:
(i) The purchaser presents a coupon, certificate or other
documentation to the seller to claim a price reduction or discount
where the coupon, certificate or documentation is authorized,
distributed or granted by a third party with the understanding that
the third party will reimburse any seller to whom the coupon,
certificate or documentation is presented;
(ii) the purchaser identifies to the seller that the purchaser is a
member of a group or organization entitled to a price reduction or
discount. A preferred customer card that is available to any patron
does not constitute membership in such a group; or
(iii) the price reduction or discount is identified as a third party
price reduction or discount on the invoice received by the purchaser or
on a coupon, certificate or other documentation presented by the
purchaser.
(3) "Sales or selling price" shall not include:
(A) Discounts, including cash, term or coupons that are not
reimbursed by a third party that are allowed by a seller and taken by
a purchaser on a sale;
(B) interest, financing and carrying charges from credit extended
on the sale of personal property or services, if the amount is separately
stated on the invoice, bill of sale or similar document given to the
purchaser;
(C) any taxes legally imposed directly on the consumer that are
separately stated on the invoice, bill of sale or similar document given
to the purchaser;
(D) the amount equal to the allowance given for the trade-in of
property, if separately stated on the invoice, billing or similar
document given to the purchaser; and
(E) commencing on July 1, 2018, and ending on June 30, 2021,
cash rebates granted by a manufacturer to a purchaser or lessee of a
new motor vehicle if paid directly to the retailer as a result of the
original sale.
(mm) "Seller" means a person making sales, leases or rentals of
personal property or services.
(nn) "Service" means those services described in and taxed under
the provisions of K.S.A. 79-3603, and amendments thereto.
(oo) "Sourcing rules" means the rules set forth in K.S.A. 2018
Supp. 79-3670 through 79-3673, K.S.A. 12-191 and 12-191a, and
amendments thereto, which shall apply to identify and determine the
state and local taxing jurisdiction sales or use taxes to pay, or collect
and remit on a particular retail sale.
(pp) "Tangible personal property" means personal property that
can be seen, weighed, measured, felt or touched, or that is in any other
manner perceptible to the senses. Tangible personal property includes
electricity, water, gas, steam and prewritten computer software.
(qq) "Taxpayer" means any person obligated to account to the
director for taxes collected under the terms of this act.

(rr) "Tobacco" means cigarettes, cigars, chewing or pipe tobacco or any other item that contains tobacco.

(ss) "Entity-based exemption" means an exemption based on who purchases the product or who sells the product. An exemption that is available to all individuals shall not be considered an entity-based exemption.

(tt) "Over-the-counter drug" means a drug that contains a label that identifies the product as a drug as required by 21 C.F.R. § 201.66. The over-the-counter drug label includes: (1) A drug facts panel; or (2) a statement of the active ingredients with a list of those ingredients contained in the compound, substance or preparation. Over-the-counter drugs do not include grooming and hygiene products such as soaps, cleaning solutions, shampoo, toothpaste, antiperspirants and sun tan lotions and screens.

(uu) "Ancillary services" means services that are associated with or incidental to the provision of telecommunications services, including, but not limited to, detailed telecommunications billing, directory assistance, vertical service and voice mail services.

(vv) "Conference bridging service" means an ancillary service that links two or more participants of an audio or video conference call and may include the provision of a telephone number. Conference bridging service does not include the telecommunications services used to reach the conference bridge.

(ww) "Detailed telecommunications billing service" means an ancillary service of separately stating information pertaining to individual calls on a customer's billing statement.

(xx) "Directory assistance" means an ancillary service of providing telephone number information or address information, or both.

(yy) "Vertical service" means an ancillary service that is offered in connection with one or more telecommunications services, which offers advanced calling features that allow customers to identify callers and to manage multiple calls and call connections, including conference bridging services.

(zz) "Voice mail service" means an ancillary service that enables the customer to store, send or receive recorded messages. Voice mail service does not include any vertical services that the customer may be required to have in order to utilize the voice mail service.

(aaa) "Telecommunications service" means the electronic transmission, conveyance or routing of voice, data, audio, video or any other information or signals to a point, or between or among points. The term telecommunications service includes such transmission,
conveyance or routing in which computer processing applications are used to act on the form, code or protocol of the content for purposes of transmissions, conveyance or routing without regard to whether such service is referred to as voice over internet protocol services or is classified by the federal communications commission as enhanced or value added. Telecommunications service does not include:

(1) Data processing and information services that allow data to be generated, acquired, stored, processed or retrieved and delivered by an electronic transmission to a purchaser where such purchaser's primary purpose for the underlying transaction is the processed data or information;

(2) installation or maintenance of wiring or equipment on a customer's premises;

(3) tangible personal property;

(4) advertising, including, but not limited to, directory advertising;

(5) billing and collection services provided to third parties;

(6) internet access service;

(7) radio and television audio and video programming services, regardless of the medium, including the furnishing of transmission, conveyance and routing of such services by the programming service provider. Radio and television audio and video programming services shall include, but not be limited to, cable service as defined in 47 U.S.C. § 522(6) and audio and video programming services delivered by commercial mobile radio service providers, as defined in 47 C.F.R. § 20.3;

(8) ancillary services; or

(9) digital products delivered electronically, including, but not limited to, software, music, video, reading materials or ring tones.

(bbb) "800 service" means a telecommunications service that allows a caller to dial a toll-free number without incurring a charge for the call. The service is typically marketed under the name 800, 855, 866, 877 and 888 toll-free calling, and any subsequent numbers designated by the federal communications commission.

(ccc) "900 service" means an inbound toll telecommunications service purchased by a subscriber that allows the subscriber's customers to call in to the subscriber's prerecorded announcement or live service. 900 service does not include the charge for collection services provided by the seller of the telecommunications services to the subscriber, or service or product sold by the subscriber to the subscriber's customer. The service is typically marketed under the name 900 service, and any subsequent numbers designated by the federal communications commission.
(ddd) "Value-added non-voice data service" means a service that otherwise meets the definition of telecommunications services in which computer processing applications are used to act on the form, content, code or protocol of the information or data primarily for a purpose other than transmission, conveyance or routing.

(eee) "International" means a telecommunications service that originates or terminates in the United States and terminates or originates outside the United States, respectively. United States includes the District of Columbia or a U.S. territory or possession.

(ff) "Interstate" means a telecommunications service that originates in one United States state, or a United States territory or possession, and terminates in a different United States state or a United States territory or possession.

(ggg) "Intrastate" means a telecommunications service that originates in one United States state or a United States territory or possession, and terminates in the same United States state or a United States territory or possession.

(hhh) "Bottled water" means water that is placed in a safety sealed container or package for human consumption. "Bottled water" is calorie free and does not contain sweeteners or other additives, except that it may contain:

1. Antimicrobial agents;
2. fluoride;
3. carbonation;
4. vitamins, minerals and electrolytes;
5. oxygen;
6. preservatives; or
7. only those flavors, extracts or essences derived from a spice or fruit.

"Bottled water" includes water that is delivered to the buyer in a reusable container that is not sold with the water.

(iii) "Candy" means a preparation of sugar; honey or other natural or artificial sweeteners in combination with chocolate, fruits, nuts or other ingredients or flavorings in the form of bars, drops or pieces. "Candy" shall not include any preparation containing flour and shall require no refrigeration.

(jjj) "Food sold through vending machines" means food dispensed from a machine or other mechanical device that accepts payment.

(lll) "Prepared food" means:
1. Food sold in a heated state or heated by the seller;
2. two or more food ingredients mixed or combined by the seller for sale as a single item; or
3. food sold with eating utensils provided by the seller, including
plates, knives, forks, spoons, glasses, cups, napkins or straws. A plate does not include a container or packaging used to transport the food.

"Prepared food" does not include food that is only cut, repackaged or pasteurized by the seller, and eggs, fish, meat, poultry and foods containing these raw animal foods requiring cooking by the consumer as recommended by the food and drug administration in chapter 3, part 401.11 of its food code so as to prevent food borne illnesses.

"Soft drinks" means nonalcoholic beverages that contain natural or artificial sweeteners. "Soft drinks" does not include beverages that contain milk or milk products, soy, rice or similar milk substitutes, or greater than 50% of vegetable or fruit juice by volume.

"Dietary supplement" shall have the same meaning ascribed to it as in K.S.A. 79-3606(jjj), and amendments thereto.

Sec. 15. K.S.A. 2018 Supp. 79-3603 is hereby amended to read as follows: 79-3603. For the privilege of engaging in the business of selling tangible personal property at retail in this state or rendering or furnishing any of the services taxable under this act, there is hereby levied and there shall be collected and paid a tax at the rate of 6.15%, and commencing July 1, 2015, at the rate of 6.5%, except as otherwise provided in section 13, and amendments thereto; and within a redevelopment district established pursuant to K.S.A. 74-8921, and amendments thereto, there is hereby levied and there shall be collected and paid an additional tax at the rate of 2% until the earlier of the date the bonds issued to finance or refinance the redevelopment project have been paid in full or the final scheduled maturity of the first series of bonds issued to finance any part of the project. Such tax shall be imposed upon:

(a) The gross receipts received from the sale of tangible personal property at retail within this state;

(b) the gross receipts from intrastate, interstate or international telecommunications services and any ancillary services sourced to this state in accordance with K.S.A. 2018 Supp. 79-3673, and amendments thereto, except that telecommunications service does not include: (1) Any interstate or international 800 or 900 service; (2) any interstate or international private communications service as defined in K.S.A. 2018 Supp. 79-3673, and amendments thereto; (3) any value-added nonvoice data service; (4) any telecommunication service to a provider of telecommunication services which will be used to render telecommunications services, including carrier access services; or (5) any service or transaction defined in this section among entities classified as members of an affiliated group as provided by section 1504 of the federal internal revenue code of 1986, as in effect on January 1, 2001;
(c) the gross receipts from the sale or furnishing of gas, water, electricity and heat, which sale is not otherwise exempt from taxation under the provisions of this act, and whether furnished by municipally or privately owned utilities, except that, on and after January 1, 2006, for sales of gas, electricity and heat delivered through mains, lines or pipes to residential premises for noncommercial use by the occupant of such premises, and for agricultural use and also, for such use, all sales of propane gas, the state rate shall be 0%; and for all sales of propane gas, LP gas, coal, wood and other fuel sources for the production of heat or lighting for noncommercial use of an occupant of residential premises, the state rate shall be 0%, but such tax shall not be levied and collected upon the gross receipts from: (1) The sale of a rural water district benefit unit; (2) a water system impact fee, system enhancement fee or similar fee collected by a water supplier as a condition for establishing service; or (3) connection or reconnection fees collected by a water supplier;

(d) the gross receipts from the sale of meals or drinks furnished at any private club, drinking establishment, catered event, restaurant, eating house, dining car, hotel, drugstore or other place where meals or drinks are regularly sold to the public;

(e) the gross receipts from the sale of admissions to any place providing amusement, entertainment or recreation services including admissions to state, county, district and local fairs, but such tax shall not be levied and collected upon the gross receipts received from sales of admissions to any cultural and historical event which occurs triennially;

(f) the gross receipts from the operation of any coin-operated device dispensing or providing tangible personal property, amusement or other services except laundry services, whether automatic or manually operated;

(g) the gross receipts from the service of renting of rooms by hotels, as defined by K.S.A. 36-501, and amendments thereto, or by accommodation brokers, as defined by K.S.A. 12-1692, and amendments thereto, but such tax shall not be levied and collected upon the gross receipts received from sales of such service to the federal government and any agency, officer or employee thereof in association with the performance of official government duties;

(h) the gross receipts from the service of renting or leasing of tangible personal property except such tax shall not apply to the renting or leasing of machinery, equipment or other personal property owned by a city and purchased from the proceeds of industrial revenue bonds issued prior to July 1, 1973, in accordance with the provisions of K.S.A. 12-1740 through 12-1749, and amendments
thereto, and any city or lessee renting or leasing such machinery, equipment or other personal property purchased with the proceeds of such bonds who shall have paid a tax under the provisions of this section upon sales made prior to July 1, 1973, shall be entitled to a refund from the sales tax refund fund of all taxes paid thereon;

(i) the gross receipts from the rendering of dry cleaning, pressing, dyeing and laundry services except laundry services rendered through a coin-operated device whether automatic or manually operated;

(j) the gross receipts from the rendering of the services of washing and washing and waxing of vehicles;

(k) the gross receipts from cable, community antennae and other subscriber radio and television services;

(l) (1) except as otherwise provided by paragraph (2), the gross receipts received from the sales of tangible personal property to all contractors, subcontractors or repairmen for use by them in erecting structures, or building on, or otherwise improving, altering, or repairing real or personal property.

(2) Any such contractor, subcontractor or repairman who maintains an inventory of such property both for sale at retail and for use by them for the purposes described by paragraph (1) shall be deemed a retailer with respect to purchases for and sales from such inventory, except that the gross receipts received from any such sale, other than a sale at retail, shall be equal to the total purchase price paid for such property and the tax imposed thereon shall be paid by the deemed retailer;

(m) the gross receipts received from fees and charges by public and private clubs, drinking establishments, organizations and businesses for participation in sports, games and other recreational activities, but such tax shall not be levied and collected upon the gross receipts received from: (1) Fees and charges by any political subdivision, by any organization exempt from property taxation pursuant to K.S.A. 79-201 Ninth, and amendments thereto, or by any youth recreation organization exclusively providing services to persons 18 years of age or younger which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986, for participation in sports, games and other recreational activities; and (2) entry fees and charges for participation in a special event or tournament sanctioned by a national sporting association to which spectators are charged an admission which is taxable pursuant to subsection (e);

(n) the gross receipts received from dues charged by public and private clubs, drinking establishments, organizations and businesses, payment of which entitles a member to the use of facilities for
recreation or entertainment, but such tax shall not be levied and
collected upon the gross receipts received from: (1) Dues charged by
any organization exempt from property taxation pursuant to K.S.A.
79-201 Eighth and Ninth, and amendments thereto; and (2) sales of
memberships in a nonprofit organization which is exempt from
federal income taxation pursuant to section 501(c)(3) of the federal
internal revenue code of 1986, and whose purpose is to support the
operation of a nonprofit zoo;
(o) the gross receipts received from the isolated or occasional sale
of motor vehicles or trailers but not including: (1) The transfer of
motor vehicles or trailers by a person to a corporation or limited
liability company solely in exchange for stock securities or
membership interest in such corporation or limited liability company;
(2) the transfer of motor vehicles or trailers by one corporation or
limited liability company to another when all of the assets of such
corporation or limited liability company are transferred to such other
corporation or limited liability company; or (3) the sale of motor
vehicles or trailers which are subject to taxation pursuant to the
provisions of K.S.A. 79-5101 et seq., and amendments thereto, by an
immediate family member to another immediate family member. For
the purposes of paragraph (3), immediate family member means lineal
ascendants or descendants, and their spouses. Any amount of sales tax
paid pursuant to the Kansas retailers sales tax act on the isolated or
occasional sale of motor vehicles or trailers on and after July 1, 2004,
which the base for computing the tax was the value pursuant to K.S.A.
79-5105(a), (b)(1) and (b)(2), and amendments thereto, when such
amount was higher than the amount of sales tax which would have
been paid under the law as it existed on June 30, 2004, shall be
refunded to the taxpayer pursuant to the procedure prescribed by this
section. Such refund shall be in an amount equal to the difference
between the amount of sales tax paid by the taxpayer and the amount
of sales tax which would have been paid by the taxpayer under the law
as it existed on June 30, 2004. Each claim for a sales tax refund shall
be verified and submitted not later than six months from the effective
date of this act to the director of taxation upon forms furnished by the
director and shall be accompanied by any additional documentation
required by the director. The director shall review each claim and
shall refund that amount of tax paid as provided by this act. All such
refunds shall be paid from the sales tax refund fund, upon warrants of
the director of accounts and reports pursuant to vouchers approved
by the director of taxation or the director's designee. No refund for an
amount less than $10 shall be paid pursuant to this act. In determining
the base for computing the tax on such isolated or occasional sale, the
fair market value of any motor vehicle or trailer traded in by the
purchaser to the seller may be deducted from the selling price;

(p) the gross receipts received for the service of installing or
applying tangible personal property which when installed or applied is
not being held for sale in the regular course of business, and whether
or not such tangible personal property when installed or applied
remains tangible personal property or becomes a part of real estate,
except that no tax shall be imposed upon the service of installing or
applying tangible personal property in connection with the original
construction of a building or facility, the original construction,
reconstruction, restoration, remodeling, renovation, repair or
replacement of a residence or the construction, reconstruction,
restoration, replacement or repair of a bridge or highway.

For the purposes of this subsection:

(1) "Original construction" shall mean the first or initial
construction of a new building or facility. The term "original
construction" shall include the addition of an entire room or floor to
any existing building or facility, the completion of any unfinished
portion of any existing building or facility and the restoration,
reconstruction or replacement of a building, facility or utility
structure damaged or destroyed by fire, flood, tornado, lightning,
explosion, windstorm, ice loading and attendant winds, terrorism or
earthquake, but such term, except with regard to a residence, shall not
include replacement, remodeling, restoration, renovation or
reconstruction under any other circumstances;

(2) "building" shall mean only those enclosures within which
individuals customarily are employed, or which are customarily used
to house machinery, equipment or other property, and including the
land improvements immediately surrounding such building;

(3) "facility" shall mean a mill, plant, refinery, oil or gas well,
water well, feedlot or any conveyance, transmission or distribution
line of any cooperative, nonprofit, membership corporation organized
under or subject to the provisions of K.S.A. 17-4601 et seq., and
amendments thereto, or municipal or quasi-municipal corporation,
including the land improvements immediately surrounding such
facility;

(4) "residence" shall mean only those enclosures within which
individuals customarily live;

(5) "utility structure" shall mean transmission and distribution
lines owned by an independent transmission company or cooperative,
the Kansas electric transmission authority or natural gas or electric
public utility; and

(6) "windstorm" shall mean straight line winds of at least 80
miles per hour as determined by a recognized meteorological
reporting agency or organization;
(q) the gross receipts received for the service of repairing,
servicing, altering or maintaining tangible personal property which
when such services are rendered is not being held for sale in the
regular course of business, and whether or not any tangible personal
property is transferred in connection therewith. The tax imposed by
this subsection shall be applicable to the services of repairing,
servicing, altering or maintaining an item of tangible personal
property which has been and is fastened to, connected with or built
into real property;
(r) the gross receipts from fees or charges made under service or
maintenance agreement contracts for services, charges for the
providing of which are taxable under the provisions of subsection (p)
or (q);
(s) on and after January 1, 2005, the gross receipts received from
the sale of prewritten computer software and the sale of the services of
modifying, altering, updating or maintaining prewritten computer
software, whether the prewritten computer software is installed or
delivered electronically by tangible storage media physically
transferred to the purchaser or by load and leave;
(t) the gross receipts received for telephone answering services;
(u) the gross receipts received from the sale of prepaid calling
service and prepaid wireless calling service as defined in K.S.A. 2018
Supp. 79-3673, and amendments thereto;
(v) all sales of bingo cards, bingo faces and instant bingo tickets
by licensees under K.S.A. 2018 Supp. 75-5171 et seq., and
amendments thereto, shall be exempt from taxes imposed pursuant to
this section; and
(w) all sales of charitable raffle tickets in accordance with K.S.A.
2018 Supp. 75-5171 et seq., and amendments thereto, shall be exempt
from taxes imposed pursuant to this section.
Sec. 16. K.S.A. 2018 Supp. 79-3620 is hereby amended to read as
follows: 79-3620. (a) All revenue collected or received by the director
of taxation from the taxes imposed by this act shall be remitted to the
state treasurer in accordance with the provisions of K.S.A. 75-4215,
and amendments thereto. Upon receipt of each such remittance, the
state treasurer shall deposit the entire amount in the state treasury,
less amounts withheld as provided in subsection (b) and amounts
credited as provided in subsections (c), (d) and (e), to the credit of the
state general fund.
(b) A refund fund, designated as "sales tax refund fund" not to
exceed $100,000 shall be set apart and maintained by the director
from sales tax collections and estimated tax collections and held by the
state treasurer for prompt payment of all sales tax refunds. Such fund
shall be in such amount, within the limit set by this section, as the
director shall determine is necessary to meet current refunding
requirements under this act. In the event such fund as established by
this section is, at any time, insufficient to provide for the payment of
refunds due claimants thereof, the director shall certify the amount of
additional funds required to the director of accounts and reports who
shall promptly transfer the required amount from the state general
fund to the sales tax refund fund, and notify the state treasurer, who
shall make proper entry in the records.

(c)(1) On July 1, 2010, the state treasurer shall credit 11.427% of the
revenue collected and received from the tax imposed by K.S.A. 79-3603,
and amendments thereto, at the rate of 6.3%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(2) On July 1, 2011, the state treasurer shall credit 11.26% of the
revenue collected and received from the tax imposed by K.S.A. 79-3603,
and amendments thereto, at the rate of 6.3%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(3) On July 1, 2012, the state treasurer shall credit 11.233% of the
revenue collected and received from the tax imposed by K.S.A. 79-3603,
and amendments thereto, at the rate of 6.3%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(4) On July 1, 2013, the state treasurer shall credit 17.073% of the
revenue collected and received from the tax imposed by K.S.A. 79-3603,
and amendments thereto, at the rate of 6.15%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(5) On July 1, 2015, the state treasurer shall credit 16.226% of the
revenue collected and received from the tax imposed by K.S.A. 79-3603,
and amendments thereto, at the rate of 6.5%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(6) On July 1, 2016, and thereafter, the state treasurer shall credit
16.154% of the revenue collected and received from the tax imposed
by K.S.A. 79-3603, and amendments thereto, at the rate of 6.5%, and
section 13, and amendments thereto, at the rates prescribed in K.S.A. 79-
3603, and amendments thereto, and section 13, and amendments thereto,
and deposited as provided by subsection (a), exclusive of amounts
credited pursuant to subsection (d), in the state highway fund.
(d) The state treasurer shall credit all revenue collected or received from the tax imposed by K.S.A. 79-3603, and amendments thereto, as certified by the director, from taxpayers doing business within that portion of a STAR bond project district occupied by a STAR bond project or taxpayers doing business with such entity financed by a STAR bond project as defined in K.S.A. 2018 Supp. 12-17,162, and amendments thereto, that was determined by the secretary of commerce to be of statewide as well as local importance or will create a major tourism area for the state or the project was designated as a STAR bond project as defined in K.S.A. 2018 Supp. 12-17,162, and amendments thereto, to the city bond finance fund, which fund is hereby created. The provisions of this subsection shall expire when the total of all amounts credited hereunder and under K.S.A. 79-3710(d), and amendments thereto, is sufficient to retire the special obligation bonds issued for the purpose of financing all or a portion of the costs of such STAR bond project.

(e) All revenue certified by the director of taxation as having been collected or received from the tax imposed by K.S.A. 79-3603(c), and amendments thereto, on the sale or furnishing of gas, water, electricity and heat for use or consumption within the intermodal facility district described in this subsection, shall be credited by the state treasurer to the state highway fund. Such revenue may be transferred by the secretary of transportation to the rail service improvement fund pursuant to law. The provisions of this subsection shall take effect upon certification by the secretary of transportation that a notice to proceed has been received for the construction of the improvements within the intermodal facility district, but not later than December 31, 2010, and shall expire when the secretary of revenue determines that the total of all amounts credited hereunder and pursuant to K.S.A. 79-3710(e), and amendments thereto, is equal to $53,300,000, but not later than December 31, 2045. Thereafter, all revenues shall be collected and distributed in accordance with applicable law. For all tax reporting periods during which the provisions of this subsection are in effect, none of the exemptions contained in K.S.A. 79-3601 et seq., and amendments thereto, shall apply to the sale or furnishing of any gas, water, electricity and heat for use or consumption within the intermodal facility district. As used in this subsection, "intermodal facility district" shall consist of an intermodal transportation area as defined by K.S.A. 12-1770a(oo), and amendments thereto, located in Johnson county within the polygonal-shaped area having Waverly Road as the eastern boundary, 191st Street as the southern boundary, Four Corners Road as the western boundary, and Highway 56 as the northern boundary, and the polygonal-shaped area having Poplar...
Road as the eastern boundary, 183rd Street as the southern boundary, Waverly Road as the western boundary, and the BNSF mainline track as the northern boundary, that includes capital investment in an amount exceeding $150 million for the construction of an intermodal facility to handle the transfer, storage and distribution of freight through railway and trucking operations.

Sec. 17. K.S.A. 2018 Supp. 79-3702 is hereby amended to read as follows: 79-3702. For the purposes of this act: (a) "Purchase price" means the consideration paid or given or contracted to be paid or given by any person to the seller of an article of tangible personal property for the article purchased. The term shall include, in addition to the consideration paid or given or contracted to be paid or given, the actual cost of transportation from the place where the article was purchased to the person using the same in this state. If a cash discount is allowed and taken on the sale it shall be deducted in arriving at the purchase price.

(b) The meaning ascribed to words and phrases in K.S.A. 79-3602, and amendments thereto, insofar as is practicable, shall be applicable herein unless otherwise provided. The provisions of K.S.A. 79-3601 through 79-3625, inclusive, 79-3650, and amendments thereto, and K.S.A. 2018 Supp. 79-3693 and 79-3694, and amendments thereto, relating to enforcement, collection and administration, insofar as practicable, shall have full force and effect with respect to taxes imposed under the provisions of this act.

(c) "Use" means the exercise within this state by any person of any right or power over tangible personal property incident to the ownership of that property, except that it shall not include processing, or the sale of the property in the regular course of business, and except storage as hereinafter defined.

(d) "Storage" means any keeping or retaining in this state for any purpose except sale in the regular course of business or subsequent use solely outside this state of tangible personal property purchased from a retailer.

(e) "Storage" and "use" do not include the keeping, retaining or exercising of any right or power over tangible personal property shipped or brought into this state for the purpose of subsequently transporting it outside the state for use thereafter solely outside the state, or for the purpose of being processed, fabricated, or manufactured into, attached to or incorporated into, other tangible personal property to be transported outside the state and thereafter used solely outside the state.

(f) "Property used in processing" means: (1) Any tangible personal property which, when used in fabrication, compounding,
manufacturing or germination, becomes an integral part of the new article resulting from such fabrication, compounding, manufacturing, or germination, and intended to be sold ultimately at retail; and (2) fuel which is consumed in creating power, heat, or steam for processing or for generating electric current.

(g) "Retailer" means every person engaged in the business of selling tangible personal property for use within the meaning of this act, except that, when in the opinion of the director it is necessary for the efficient administration of this act to regard any salesperson, representatives, truckers, peddlers or canvassers as the agents of the dealers, distributors, supervisors, employers or persons under whom they operate or from whom they obtain the tangible personal property sold by them, irrespective of whether they are making sales on their own behalf or on behalf of such dealers, distributors, supervisors, employers, or persons, the director may so regard them and may regard the dealers, distributors, supervisors, employers, or persons as retailers for the purposes of this act.

(h) (1) "Retailer doing business in this state" or any like term, means: (A) Any retailer maintaining in this state, permanently, temporarily, directly or indirectly through a subsidiary, agent or representative, an office, distribution house, sales house, warehouse or other place of business;

(B) any retailer utilizing an employee, independent contractor, agent, representative, salesperson, canvasser, solicitor or other person operating in this state either permanently or temporarily, for the purpose of selling, delivering, installing, assembling, servicing, repairing, soliciting sales or the taking of orders for tangible personal property;

(C) any retailer, including a contractor, repair person or other service provider, who enters this state to perform services that are enumerated in K.S.A. 79-3603, and amendments thereto, and who is required to secure a retailer's sales tax registration certificate before performing those services;

(D) any retailer deriving rental receipts from a lease of tangible personal property situated in this state;

(E) any person regularly maintaining a stock of tangible personal property in this state for sale in the normal course of business; and

(F) any retailer who has any other contact with this state that would allow this state to require the retailer to collect and remit tax under the provisions of the constitution and laws of the United States; and

(G) (i) for any retailer that does not satisfy any of the requirements contained in subparagraphs (A) through (F), such retailer shall be a
retailer doing business in this state, if:

(a) For calendar year 2018, the retailer had in excess of $100,000 of cumulative gross receipts from sales by the retailer to customers in this state;

(b) for the period beginning on January 1, 2019, through September 30, 2019, the retailer had in excess of $100,000 of cumulative gross receipts from sales by the retailer to customers in this state; or

(c) during the current or immediately preceding calendar year, the retailer had in excess of $100,000 of cumulative gross receipts from sales by the retailer to customers in this state.

(ii) (a) For any retailer who satisfies the provisions of subparagraph (G)(i), such retailer shall not be required to collect and remit any taxes from sales occurring prior to October 1, 2019.

(b) For any retailer who satisfies the provisions of subparagraph (G)(i)(c) for sales in the current calendar year for the first time, such retailer shall be required to collect and remit the tax on any sales in excess of the $100,000 of cumulative gross receipts from sales in the current calendar year by the retailer to customers in this state.

(2) A retailer shall be presumed to be doing business in this state if any of the following occur:

(A) Any person, other than a common carrier acting in its capacity as such, that has nexus with the state sufficient to require such person to collect and remit taxes under the provisions of the constitution and laws of the United States if such person were making taxable retail sales of tangible personal property or services in this state:

(i) Sells the same or a substantially similar line of products as the retailer and does so under the same or a substantially similar business name;

(ii) maintains a distribution house, sales house, warehouse or similar place of business in Kansas that delivers or facilitates the sale or delivery of property sold by the retailer to consumers;

(iii) uses trademarks, service marks, or trade names in the state that are the same or substantially similar to those used by the retailer;

(iv) delivers, installs, assembles or performs maintenance services for the retailer's customers within the state;

(v) facilitates the retailer's delivery of property to customers in the state by allowing the retailer's customers to pick up property sold by the retailer at an office, distribution facility, warehouse, storage place or similar place of business maintained by the person in the state;

(vi) has a franchisee or licensee operating under its trade name if the franchisee or the licensee is required to collect the tax under the Kansas retailers' sales tax act; or

(vii) conducts any other activities in the state that are significantly
associated with the retailer's ability to establish and maintain a market in
the state for the retailer's sales.

(B) Any affiliated person conducting activities in this state described
in subparagraph (A) or (C) has nexus with this state sufficient to require
such person to collect and remit taxes under the provisions of the
constitution and laws of the United States if such person were making
taxable retail sales of tangible personal property or services in this state.

(C) The retailer enters into an agreement with one or more residents
of this state under which the resident, for a commission or other-
consideration, directly or indirectly refers potential customers, whether by
a link or an internet website, by telemarketing, by an in-person oral
presentation, or otherwise, to the retailer, if the cumulative gross receipts
from sales by the retailer to customers in the state who are referred to the
retailer by all residents with this type of an agreement with the retailer is in
excess of $10,000 during the preceding 12 months. This presumption may
be rebutted by submitting proof that the residents with whom the retailer
has an agreement did not engage in any activity within the state that was
significantly associated with the retailer's ability to establish or maintain
the retailer's market in the state during the preceding 12 months. Such
proof may consist of sworn written statements from all of the residents
with whom the retailer has an agreement stating that they did not engage in
any solicitation in the state on behalf of the retailer during the preceding
year, provided that such statements were provided and obtained in good
faith. This subparagraph shall take effect 90 days after the enactment of
this statute and shall apply to sales made and uses occurring on or after the
effective date of this subparagraph and without regard to the date the
retailer and the resident entered into the agreement described in this
subparagraph. The term "preceding 12 months" as used in this
subparagraph includes the 12 months commencing prior to the effective
date of this subparagraph.

(D) The presumptions in subparagraphs (A) and (B) may be rebutted
by demonstrating that the activities of the person or affiliated person in the
state are not significantly associated with the retailer's ability to establish
or maintain a market in this state for the retailer's sales. The retailer is
subject to the provisions set forth in subsection (h)(1)(G) for a retailer
doing business in this state and has in excess of $100,000 of cumulative
gross receipts from sales by the retailer to customers in this state. Such
retailer shall have nexus with this state sufficient to require such retailer
to collect and remit taxes under the provisions of the constitution and laws
of the United States if such retailer were making taxable retail sales of
tangible personal property in this state.

(3) The processing of orders electronically, by fax, telephone, the
internet or other electronic ordering process, does not relieve a retailer
of responsibility for collection of the tax from the purchaser if the retailer is doing business in this state pursuant to this section.

(i) "Director" means the director of taxation.

(j) As used in this section, "affiliated person" means any person that is a member of the same "controlled group of corporations" as defined in section 1563(a) of the federal internal revenue code as the retailer or any other entity that, notwithstanding its form of organization, bears the same ownership relationship to the retailer as a corporation that is a member of the same "controlled group of corporations" as defined in section 1563(a) of the federal internal revenue code. "Cumulative gross receipts" means gross receipts as defined in K.S.A. 79-3602, and amendments thereto, and includes the gross receipts received by the retailer from its own direct sales combined with the gross receipts from sales facilitated on behalf of the retailers by a marketplace facilitator or marketplace facilitators, as defined in section 5, and amendments thereto.

Sec. 18. K.S.A. 2018 Supp. 79-3703 is hereby amended to read as follows: 79-3703. There is hereby levied and there shall be collected from every person in this state a tax or excise for the privilege of using, storing, or consuming within this state any article of tangible personal property. Such tax shall be levied and collected in an amount equal to the consideration paid by the taxpayer multiplied by the rate of 6.5% and on and after October 1, 2019, the rate on food and food ingredients as provided in section 13, and amendments thereto. Within a redevelopment district established pursuant to K.S.A. 74-8921, and amendments thereto, there is hereby levied and there shall be collected and paid an additional tax of 2% until the earlier of: (1) The date the bonds issued to finance or refinance the redevelopment project undertaken in the district have been paid in full; or (2) the final scheduled maturity of the first series of bonds issued to finance the redevelopment project. All property purchased or leased within or without this state and subsequently used, stored or consumed in this state shall be subject to the compensating tax if the same property or transaction would have been subject to the Kansas retailers' sales tax had the transaction been wholly within this state.

Sec. 19. K.S.A. 2018 Supp. 79-3710 is hereby amended to read as follows: 79-3710. (a) All revenue collected or received by the director under the provisions of this act shall be remitted to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury, less amounts set apart as provided in subsection (b) and amounts credited as provided in subsection (c), (d) and (e), to the credit of the state general fund.

(b) A revolving fund, designated as "compensating tax refund
"fund" not to exceed $10,000 shall be set apart and maintained by the
director from compensating tax collections and estimated tax
collections and held by the state treasurer for prompt payment of all
compensating tax refunds. Such fund shall be in such amount, within
the limit set by this section, as the director shall determine is necessary
to meet current refunding requirements under this act.

(c)(1)—On July 1, 2010, the state treasurer shall credit 11.427% of the
revenue collected and received from the tax imposed by K.S.A. 79-3703,
and amendments thereto, at the rate of 6.3%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(2)—On July 1, 2011, the state treasurer shall credit 11.26% of the
revenue collected and received from the tax imposed by K.S.A. 79-3703,
and amendments thereto, at the rate of 6.3%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(3)—On July 1, 2012, the state treasurer shall credit 11.233% of the
revenue collected and received from the tax imposed by K.S.A. 79-3703,
and amendments thereto, at the rate of 6.3%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(4)—On July 1, 2013, the state treasurer shall credit 17.073% of the
revenue collected and received from the tax imposed by K.S.A. 79-3703,
and amendments thereto, at the rate of 6.15%, and deposited as provided
by subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(5)—On July 1, 2015, the state treasurer shall credit 16.226% of the
revenue collected and received from the tax imposed by K.S.A. 79-3703,
and amendments thereto, at the rate of 6.5%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(6)—On July 1, 2016, and thereafter, the state treasurer shall credit
16.154% of the revenue collected and received from the tax imposed
by K.S.A. 79-3703, and amendments thereto, and section 13, and
amendments thereto, at the rate of 6.5% rates provided in K.S.A. 79-3703,
and amendments thereto, and section 13, and amendments thereto, and
deposited as provided by subsection (a), exclusive of amounts credited
pursuant to subsection (d), in the state highway fund.

(d) The state treasurer shall credit all revenue collected or
received from the tax imposed by K.S.A. 79-3703, and amendments
thereto, as certified by the director, from taxpayers doing business
within that portion of a redevelopment district occupied by a
redevelopment project that was determined by the secretary of
commerce to be of statewide as well as local importance or will create
a major tourism area for the state as defined in K.S.A. 12-1770a, and
amendments thereto, to the city bond finance fund created by K.S.A.
79-3620(d), and amendments thereto. The provisions of this subsection
shall expire when the total of all amounts credited hereunder and
under K.S.A. 79-3620(d), and amendments thereto, is sufficient to
retire the special obligation bonds issued for the purpose of financing
all or a portion of the costs of such redevelopment project.

This subsection shall not apply to a project designated as a special
bond project as defined in K.S.A. 12-1770a(z), and amendments
thereto.

(e) All revenue certified by the director of taxation as having been
collected or received from the tax imposed by K.S.A. 79-3603(c), and
amendments thereto, on the sale or furnishing of gas, water, electricity
and heat for use or consumption within the intermodal facility district
described in this subsection, shall be credited by the state treasurer to
the state highway fund. Such revenue may be transferred by the
secretary of transportation to the rail service improvement fund
pursuant to law. The provisions of this subsection shall take effect
upon certification by the secretary of transportation that a notice to
proceed has been received for the construction of the improvements
within the intermodal facility district, but not later than December 31,
2010, and shall expire when the secretary of revenue determines that
the total of all amounts credited hereunder and pursuant to K.S.A. 79-
3620(e), and amendments thereto, is equal to $53,300,000, but not
later than December 31, 2045. Thereafter, all revenues shall be
collected and distributed in accordance with applicable law. For all
tax reporting periods during which the provisions of this subsection
are in effect, none of the exemptions contained in K.S.A. 79-3601 et
seq., and amendments thereto, shall apply to the sale or furnishing of
any gas, water, electricity and heat for use or consumption within the
intermodal facility district. As used in this subsection, "intermodal
facility district" shall consist of an intermodal transportation area as
defined by K.S.A. 12-1770a(oo), and amendments thereto, located in
Johnson county within the polygonal-shaped area having Waverly
Road as the eastern boundary, 191st Street as the southern boundary,
Four Corners Road as the western boundary, and Highway 56 as the
northern boundary, and the polygonal-shaped area having Poplar
Road as the eastern boundary, 183rd Street as the southern boundary,
Waverly Road as the western boundary, and the BNSF mainline track
as the northern boundary, that includes capital investment in an
amount exceeding $150 million for the construction of an intermodal
facility to handle the transfer, storage and distribution of freight
through railway and trucking operations.

Sec. 4. K.S.A. 2018 Supp. 79-3221o, 79-32,117, 79-32,120 and
are hereby repealed.

Sec. 5. This act shall take effect and be in force from and after its
publication in the statute book.