

House Substitute for SENATE BILL No. 347

AN ACT concerning economic development; enacting the attracting powerful economic expansion act; relating to tax and other incentives for projects in specified industries or for a national corporate headquarters with specified capital investment requirements of at least \$1,000,000,000; providing for a refundable income, privilege and premium tax credit for a portion of such investment; reimbursement of certain payroll costs and training and education costs; retention of certain payroll withholding taxes; sales tax exemption for project construction; adjusting the income tax on corporations by reducing the rate by 0.5% after a firm enters into an agreement under this act; limiting the number of agreements under this act with a qualified firm to one per year for two years; requiring state finance council approval of agreements and certain benefit provisions; providing for reports to legislative committees; establishing the attracting powerful economic expansion payroll incentive fund, the attracting powerful economic expansion new employee training and education fund and the attracting powerful economic expansion Kansas residency incentive fund; amending K.S.A. 79-32,110 and K.S.A. 2021 Supp. 79-3606 and repealing the existing sections.

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

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

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

(1) "Act" means the attracting powerful economic expansion act, sections 1 through 14, and amendments thereto.

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

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

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

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

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

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

(6) "Construction" means construction, reconstruction, enlarging or remodeling for the purpose of constructing a qualified business facility.

(7) "Department" means the Kansas department of commerce.

(8) "Headquarters" means a qualified business facility that meets the following conditions:

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

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

(9) "New employee" means a qualified business facility employee who is newly employed by the qualified firm or qualified supplier in the qualified firm or qualified supplier's business operating in Kansas during the taxable year for which benefits are sought. Qualified business facility employees performing functions directly related to a relocating, expanding, or new business facility, office, department or other operation

shall be considered "new employees."

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

(11) "Qualified business facility" means a facility as defined in subparagraph (C) that satisfies the requirements of subparagraphs (A) and (B):

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

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

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

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

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

(13) "Qualified business facility investment" or "qualified investment" means the value of the real and tangible personal property, except inventory or property held for sale to customers in the ordinary course of the qualified firm's or qualified supplier's business, that constitutes the qualified business facility, or that is used by the qualified firm or qualified supplier in the operation of the qualified business facility, including such property used for administrative or managerial functions, during the taxable years for which the credit allowed by sections 2 and 3, and amendments thereto, is claimed. "Qualified business facility investment" does not include any building, land, or other real or tangible personal property that is granted, leased or transferred to the qualified firm without cost to the qualified firm. Real or tangible personal property that is granted, leased or transferred

to the qualified firm at a cost of less than fair market value shall be reduced in value, for purposes of calculating the qualified business facility investment, by the difference in cost to the qualified firm and fair market value. The value of such property during such taxable year shall be:

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

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

(14) (A) "Qualified firm" means a for-profit business establishment, subject to state income, sales or property taxes, that is:

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

- (a) Advanced manufacturing;
- (b) aerospace;
- (c) distribution, logistics and transportation;
- (d) food and agriculture; or
- (e) professional and technical services;

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

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

(15) "Qualified supplier" means any business that is a supplier of components, sub-assemblies, chemicals or other process-related tangible goods, is located in Kansas and that is owned by:

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

(B) any business, including any business owned by an individual, any partnership, association, limited liability corporation or corporation, even if the business is a wholly owned subsidiary of a foreign corporation, that operates the qualified supplier in the state of Kansas for the purpose of supplying a qualified firm.

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

(17) "Secretary" means the secretary of commerce.

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

direct to a:

- (i) Flexible-spending plan;
- (ii) deferred compensation plan; or
- (iii) retirement plan that includes earnings the employee would otherwise have received in the form of taxable wages had it not been for the voluntary deferral.

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

(19) "Training and education eligible expense" means the amount actually paid for training and education of the group of employees, or portion thereof, and from which the qualified firm or qualified supplier expects to derive increased productivity or quality.

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

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

- (i) Wages of employees during eligible training;
- (ii) employee instructors' salaries; and
- (iii) training-related travel expenses, with a maximum meals allowance of \$60 per day and lodging costs of \$150 per night.

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

- (i) Compensation paid to an employee trainee who is receiving on-the-job training;
- (ii) compensation paid to an employee during self-training, except for time in which the employee is involved in activities related to an approved computerized course of study;
- (iii) bonus pay received as compensation related to the company's financial performance or the employee's job performance, or both;
- (iv) overtime pay, unless the employee is being paid at an overtime rate while participating in eligible training;
- (v) operations manuals and reference manuals, except that training-specific manuals may be allowable; and
- (vi) training and education costs covered by monies or grants obtained from state, federal or other government-sponsored workforce training programs.

New Sec. 2. (a) There is hereby established the attracting powerful economic expansion program to be administered by the secretary of commerce. The purpose of the attracting powerful economic expansion program is to attract large capital investments by businesses engaged in specified industries in new business facilities and operations in Kansas, or large capital investments in new national headquarters in Kansas by any business, and to encourage the development of a Kansas-based supply chain for such large enterprises.

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

- (1) The investment tax credit pursuant to section 3, and amendments thereto;
- (2) reimbursement of a percentage of total payroll, pursuant to sections 5 and 6, and amendments thereto;
- (3) reimbursement of a percentage of eligible employee training and education expense pursuant to sections 7 and 8, and amendments thereto;

(4) a sales tax exemption for construction costs of the qualified business facility pursuant to K.S.A. 79-3606, and amendments thereto, and section 9, and amendments thereto; and

(5) reimbursement of a percentage of relocation expenses and incentives for relocation of employees to Kansas pursuant to sections 12 and 13, and amendments thereto.

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

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

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

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

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

(5) if the application is approved by the secretary, enter into a binding agreement with the secretary with such terms and conditions as required by the secretary and including the commitments required by this act. The agreement shall be entered into before any benefits may be provided under this act. The agreement shall be subject to the approval of the state finance council as provided in subsection (e). The secretary shall not enter into an agreement with more than one qualified firm in calendar year 2022 and shall not enter into an agreement with more than one qualified firm in calendar year 2023. The secretary shall not enter into an agreement with any qualified firm after December 31, 2023;

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

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

secretary shall report any material breach of the terms and conditions of the agreement to the state finance council within 14 calendar days of the secretary first becoming aware of such breach.

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

(1) Be selected by the qualified firm as a qualified supplier eligible to receive incentives under this act and identified to the secretary of commerce. Not more than five qualified suppliers may be selected by any one qualified firm. Such selection shall not be changed unless a qualified supplier selected by the qualified firm breaches the terms of an agreement under this act and is disqualified by the secretary. In such case, the qualified firm may select a replacement qualified supplier;

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

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

(4) if the application is approved by the secretary, enter into a binding agreement with the secretary with such terms and conditions as required by the secretary and the commitments required by this act, including, but not limited to, providing the secretary with evidence showing the amount of sales to the qualified firm for each year that an incentive is claimed. The agreement shall be entered into before any benefits may be provided under this act. The agreement shall be subject to the approval of the state finance council, as provided in subsection (e); and

(5) commit to repayment of the amount of all benefits received under this act in the event the qualified supplier breaches the terms and conditions of the agreement entered into pursuant to paragraph (4).

(e) Any agreement with a qualified firm or qualified supplier pursuant to this section shall not be effective unless reviewed and approved by the affirmative vote of the governor and by a majority vote

of the legislative members of the state finance council prior to the finalization of the agreement by the secretary. If the state finance council does not approve the agreement, the secretary shall not enter into the agreement, but may negotiate further with the firm and submit another proposed agreement for review and approval by the council, until an agreement approved by the council is finally executed or the secretary or the firm discontinues negotiations. The state finance council shall also affirmatively approve, prior to the finalization of an agreement by the secretary, any increase of the total payroll benefit percentage, provided pursuant to section 5, and amendments thereto, to be allowed a qualified firm above 7.5%, or such percentage greater than 7.5% shall not be effective. Prior to the finalization of an agreement by the secretary, the state finance council shall also affirmatively approve any additional portions or installments of the investment tax credit as provided by section 5(h), and amendments thereto, otherwise such increase in the portions or installments shall not be effective. This matter is hereby characterized as a matter of legislative delegation and subject to the guidelines prescribed in K.S.A. 75-3711c, and amendments thereto, except that the state finance council is expressly granted the authority to act on this matter at any time, including when the legislature is in session. The secretary of commerce or any officer or employee of the department of commerce shall appear before the state finance council to provide testimony if requested by the state finance council. Notwithstanding the provisions of the Kansas open meetings act, any review, testimony or discussion of a proposed agreement shall not be open to the public. A vote on approval of an agreement shall be made in open session. However, the details of a proposed agreement need not be disclosed publicly. With respect to the state finance council, the proposed agreement, and any associated documentation or testimony pertaining to the proposed agreement, shall be confidential and shall not be subject to the Kansas open records act. The fact that a proposed agreement or its terms or associated documents or testimony has been referenced or reviewed by the state finance council shall not make the agreement or associated documents or testimony subject to the Kansas open records act with respect to any other agency. The provisions of this paragraph providing for confidentiality of records shall expire on July 1, 2027, unless the legislature acts to reenact such provisions pursuant to K.S.A. 45-229, and amendments thereto.

(f) A qualified firm or qualified supplier that is approved by the secretary for incentives under this act shall not be eligible for participation in any other economic development program or fund administered by the secretary of commerce, including, but not limited to, the STAR bond program, the promoting employment across Kansas program, the high performance incentive program or the Kansas industrial training or Kansas industrial retraining programs.

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

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

(2) information reasonably required for the secretary's report pursuant to section 10, and amendments thereto;

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

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

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

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

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

(j) The secretary of revenue, in consultation with the secretary of commerce, shall develop a form that shall be completed annually by any qualified firm or qualified supplier that received any tax benefit pursuant to this section and section 3 or 4, and amendments thereto. Such form shall request, at a minimum, the information required by K.S.A. 79-32,243(a)(1) through (a)(6), and amendments thereto, and such other information as shall reasonably be required by the secretary of revenue and the secretary of commerce. The contents of the completed form shall be confidential except as provided in K.S.A. 79-3234, and amendments thereto.

(k) (1) In addition to the provisions of subsection (c)(7) and any other repayment requirement pursuant to this act, as a condition of receiving benefits under this act, a qualified firm that relocates its qualified business facility operations outside this state in the 10th through the 15th year next following the year the qualified firm entered into the agreement with the secretary pursuant to subsection (c)(5), shall be subject to a benefit repayment requirement to the state in the amount of:

(A) 100% of all benefits received if the relocation occurs in the 11th year;

(B) 80% of all benefits received if the relocation occurs in the 12th year;

(C) 60% of all benefits received if the relocation occurs in the 13th

year;

(D) 40% of all benefits received if the relocation occurs in the 14th year; and

(E) 20% of all benefits received if the relocation occurs in the 15th year.

(2) The amount due to the state shall be paid pursuant to a repayment schedule and with interest as determined by the secretary and set forth in the agreement pursuant to subsection (c)(5), but in no event shall be paid in more than 10 years.

(3) The benefit repayment requirement shall be waived if the qualified firm sells the qualified business facility to another business and the operations of the qualified business facility are substantially continued in this state by such business, as determined by the secretary of commerce.

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

New Sec. 3. (a) (1) For taxable years commencing after December 31, 2021, a qualified firm that makes a qualified business investment in a qualified business facility and meets the requirements of section 2, and amendments thereto, and of this section shall be allowed a credit for such investment as provided by this section against the tax imposed by the Kansas income tax act, the premium tax or privilege fees imposed pursuant to K.S.A. 40-252, and amendments thereto, or the privilege tax as measured by the net income of financial institutions imposed pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto. The credit shall be earned by the taxpayer each taxable year based on the amount of the qualified investment made in that taxable year as further provided in this section. The amount of the credit that is earned each taxable year shall not be claimed by the taxpayer in the taxable year that such credit is earned but shall be divided into 10 equal portions or installments. A $\frac{1}{10}$ portion or installment shall be claimed by the qualified firm commencing with the taxable year after the credit is earned and an equivalent amount of such portion or installment, respectively, shall be claimed in each of the next successive nine taxable years.

(2) The amount of the tax credit earned in a taxable year pursuant to this subsection shall be up to 15%, at the discretion of the secretary, of the amount of the qualified investment that is invested during such taxable year. In determining such percentage, the secretary shall consider factors including the extent of prospective new employment, the quality of new jobs and wage or salary levels, the total amount of investment, the potential for development of the industry in this state and the potential for ancillary industry development and indirect economic development. The secretary shall also consider factors pursuant to subsection (d). Such percentage shall be set forth in the agreement pursuant to section 2, and amendments thereto. The total qualified investment shall be completed within five years commencing from the date specified in such agreement. The total amount of the qualified investment shall be at least \$1,000,000,000. The qualified firm shall repay to the state all tax credits received if the total qualified investment is not completed.

(b) (1) For taxable years commencing after December 31, 2021, a qualified supplier that makes a qualified investment and meets the requirements of section 2, and amendments thereto, and of this section shall be allowed a credit for such investment as provided by this section against the tax imposed by the Kansas income tax act, the premium tax or privilege fees imposed pursuant to K.S.A. 40-252, and amendments thereto, or the privilege tax as measured by the net income of financial institutions imposed pursuant to article 11 of chapter 79 of the Kansas

Statutes Annotated, and amendments thereto. The credit shall be earned by the taxpayer for up to two calendar years from the date that the qualified supplier enters into the agreement with the secretary of commerce pursuant to section 2, and amendments thereto, unless all qualifying investment that is intended by the qualified supplier is completed before this date. The credit shall be taken in the earlier taxable year that would include either:

(A) The tax year following the two-calendar year expiration from entering into the agreement with the secretary; or

(B) the tax year after the calendar year that the qualified supplier determines completion of the tax credit eligible qualified investment.

(2) The amount of the tax credit shall be 5% for the first \$50,000,000 in qualified investment and an additional 1% credit for each additional \$10,000,000 in qualified investment up to a maximum of \$100,000,000 in qualified investment. The amount of the credit that is earned shall be divided into ten equal portions or installments. A $\frac{1}{10}$ portion or installment shall first be claimed commencing with the time frame set forth in paragraph (1). Such remaining portions or installments shall be claimed in each of the next successive nine taxable years.

(3) Only the first five qualified suppliers designated by a qualified firm pursuant to section 2, and amendments thereto, shall qualify for the credit unless a previously designated qualified supplier breaches terms of an agreement with either the qualified firm or department of commerce and is replaced by a succeeding qualified supplier. The qualified supplier that serves as replacement shall be eligible for the tax credit pursuant to this subsection.

(4) The qualified supplier shall repay to the state all tax credits received if the total qualified investment is not completed as provided pursuant to section 2, and amendments thereto.

(c) The secretary of commerce shall set forth in the agreement entered into pursuant to section 2, and amendments thereto, a percentage of the earned tax credit that may be refundable when claimed, as provided in subsection (a) or (b). The percentage shall be determined as provided in subsection (d). Such percentage of a tax credit installment may be refundable to such taxpayer if the amount of the installment claimed for that taxable year exceeds the taxpayer's tax liability for such year. The secretary shall set forth in the agreement any additional provisions, if necessary, regarding disposition of the earned tax credits. No earned tax credit shall be refundable after the tenth successive taxable year period that a portion or installment of such credit may be claimed. An installment portion of an earned tax credit that is not refunded shall be carried forward for application first against the taxpayer's tax liability in the next successive tax year or for refund, as the case may be, within the ten taxable year period. An installment portion of an earned tax credit that has not been applied against the taxpayer's tax liability or refunded at the end of the tenth successive taxable year period that installment portions of such earned tax credit may be claimed shall be forfeited.

(d) The base percentage that may be refundable in each taxable year of the $\frac{1}{10}$ portion of an earned tax credit that may be claimed, as provided by subsection (a), shall be 50%. The secretary may provide for an additional percentage that may be refundable up to 100% of the total eligible earned credit. The secretary shall base the additional percentage on the qualified firm meeting specified goals that shall be set forth in the agreement. Such goals shall include targets for the:

(1) Creation of new jobs, including new jobs for suppliers;

(2) benefit to the local, regional or state economy, including the development of suppliers in Kansas;

- (3) amount of capital investment;
- (4) benefit to the development of the qualified firm's industry in Kansas;
- (5) other measures or goals, if any, of the secretary consistent with the purposes of this act; and
- (6) employment, retention and attraction of employees to remain residents of, or relocate to, Kansas.

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

(f) If the qualified firm or qualified supplier breaches the terms and conditions of the agreement pursuant to section 2, and amendments thereto, the qualified firm or qualified supplier shall be liable for repayment of the amount of the tax credits to the state as provided by section 2, and amendments thereto.

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

(h) Prior to finalization of an agreement pursuant to section 2, and amendments thereto, the state finance council may allow for a qualified firm or qualified supplier to be allowed to take one or more additional portions or installments of the tax credit that such qualified firm or qualified supplier is entitled pursuant to this subsection, as provided in section 2(e), and amendments thereto. No additional portions or installments of the tax credit shall be allowed in any taxable year unless the requested increase in the portions or installments has been so reviewed and approved by the affirmative vote of the governor and by a majority vote of the legislative members of the state finance council. This matter is hereby characterized as a matter of legislative delegation and subject to the guidelines prescribed in K.S.A. 75-3711c, and amendments thereto, except that the state finance council is expressly granted the authority to act on this matter at any time, including when the legislature is in session. Upon an affirmative vote, the qualified firm or qualified supplier shall be allowed to take the additional portions or installments of the tax credit approved by the state finance council in the taxable year in which such portions or installments were approved, as shall be set forth in the agreement pursuant to section 2, and amendments thereto. The portions or installments remaining on such credit shall decrease accordingly in the event that additional portions or installments are taken by a qualified firm or qualified supplier.

New Sec. 4. (a) For taxable years commencing after December 31, 2021, a qualified supplier that meets the requirements of section 2, and amendments thereto, and this section may be eligible to retain up to 65%, as determined by the secretary, of the qualified supplier's Kansas payroll withholding taxes under the Kansas withholding and declaration of estimated tax act for the qualified supplier's employees in a taxable year that such requirements are met. This benefit shall be available for a period of up to 10 successive taxable years. In

determining the percentage and number of successive years, the secretary shall, at a minimum, consider the factors set forth in sections 3(b) and (d), and amendments thereto, as applicable. Qualified suppliers that have been selected by a qualified firm for benefit eligibility, and that meet the sales amount requirement, as provided by section 2, and amendments thereto, may be eligible to earn benefits of this section prior to the qualified firm's commencement of commercial operations at the qualified business facility. Any benefits shall only be awarded after the qualified firm that has selected the qualified supplier for benefit eligibility commences commercial operations.

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

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

(2) performs such services in Kansas; and

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

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

(d) The agreement between the secretary of commerce and the qualified supplier shall specify that, if the qualified supplier breaches the terms and conditions set forth in the agreement, the qualified supplier shall be required to remit to the state an amount equal to the aggregate Kansas payroll withholding taxes retained by the qualified supplier, or remitted to the qualified supplier by a third party, as provided by section 2, and amendments thereto.

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

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

(2) the number of employees;

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

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

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

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

New Sec. 5. (a) On and after July 1, 2022, a qualified firm that meets the requirements of section 2, and amendments thereto, and this

section may be eligible for partial reimbursement of total payroll costs paid to qualified business facility employees during a taxable year, as approved by the secretary of commerce.

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

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

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

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

(c) The amount of the reimbursement each year shall be up to 7.5%, as allowed by the secretary, of the total payroll costs for that year, as determined by the secretary. The secretary may grant such reimbursement for up to 10 successive years. In determining the percentage and number of successive years, the secretary shall, at a minimum, consider the factors set forth in sections 3(b) and (d), and amendments thereto, as applicable. The secretary may grant an additional increase in reimbursement of such costs up to a maximum total benefit of 10% of the eligible total payroll costs for a year for up to 10 successive years, if such percentage increase and number of years is approved by the state finance council as provided in subsection (d).

(d) The maximum reimbursement pursuant to this section that may be awarded in the secretary's discretion shall be 7.5% for 10 successive years. Prior to finalization of an agreement pursuant to section 2, and amendments thereto, the secretary may seek approval by the state finance council of an increased benefit percentage up to 10% for up to 10 successive years, pursuant to the provisions of section 2(e), and amendments thereto. Such approval shall require the affirmative vote of the governor and the majority of the legislative members of the state finance council. This matter is hereby characterized as a matter of legislative delegation and subject to the guidelines prescribed in K.S.A. 75-3711c, and amendments thereto, except that the state finance council is expressly granted the authority to act on this matter at any time, including when the legislature is in session. Upon such approval, the secretary may incorporate terms providing for the additional benefit as approved by the state finance council into an agreement.

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

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

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

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

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

(g) Subject to appropriations therefor, the allowable amount of

such claim as determined by the secretary shall be paid to the qualified firm from the attracting powerful economic expansion payroll incentive fund, established by section 6, and amendments thereto, upon warrants of the director of accounts and reports pursuant to vouchers approved by the secretary or by any person designated by the secretary. No interest shall be allowed on any payment made to a qualified firm pursuant to this section.

(h) If the qualified firm breaches the terms and conditions of the agreement pursuant to section 2, and amendments thereto, the reimbursements of total payroll costs pursuant to this section shall be repaid to the state as provided by section 2, and amendments thereto.

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

New Sec. 7. (a) On and after July 1, 2022, a qualified firm or a qualified supplier that meets the requirements of section 2, and amendments thereto, and this section and that has entered into an agreement with the secretary, as provided by section 2, and amendments thereto, may be eligible for reimbursement of up to 50% of training and education eligible expenses for training or education completed for new employees in each year for up to five successive years, as determined by the secretary and as provided by this section. The maximum amount of reimbursement paid to a qualified supplier shall be \$250,000 per year. The maximum amount of reimbursement paid to a qualified firm shall be \$5,000,000 per year. In determining the percentage, the number of successive years and the maximum annual amount as limited by this subsection, the secretary shall, at a minimum, consider the factors set forth in sections 3(b) and (d), and amendments thereto, as applicable.

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

(2) Qualified suppliers shall be eligible commencing with the year in which the qualified firm selected the qualified supplier for benefit eligibility pursuant to section 2, and amendments thereto. Only training and education expenses for new employees employed at a qualified business facility of the qualified supplier that is located and operating in Kansas shall be eligible for reimbursement. A qualified supplier shall not be awarded such benefits until the qualified business facility of the qualified firm commences commercial operations.

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

agreement shall set forth the maximum amount of the incentive that may be received each year, as limited by subsection (a), and shall require an annual showing of eligibility, including evidence showing the number of new hires and amount of eligible training and education expense, for each year the incentive is claimed.

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

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

(f) If the qualified firm or qualified supplier breaches the terms and conditions of the agreement pursuant to section 2, and amendments thereto, reimbursements shall be repaid to the state as provided by section 2, and amendments thereto.

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

New Sec. 9. (a) On and after the effective date of this act, a qualified firm or a qualified supplier that meets the requirements of section 2, and amendments thereto, and this section may be eligible for a sales tax exemption under the provisions of K.S.A. 79-3606(oooo), and amendments thereto.

(b) (1) Qualified firms that satisfy the requirements set forth in subsection (c) shall qualify for the sales tax exemption commencing on the date the qualified firm commences construction of the qualified business facility, as determined by the secretary of commerce, or an earlier date if agreed by the secretary and incorporated into the agreement pursuant to section 2, and amendments thereto.

(2) Qualified suppliers that satisfy the requirements set forth in subsection (c) shall qualify for the sales tax exemption commencing on the date that the qualified firm selected the qualified supplier for benefit eligibility pursuant to section 2, and amendments thereto. The secretary of commerce shall certify to the secretary of revenue that a qualified supplier is eligible and the date of eligibility of the qualified supplier.

(c) To be eligible to receive the sales tax exemption, the qualified firm or qualified supplier shall have been approved by and entered into an agreement with the secretary for a qualified investment in a qualified business facility including, with respect to a qualified firm, a requirement of an investment of at least \$1,000,000,000 pursuant to the requirements of section 2, and amendments thereto. The secretary of

commerce shall provide notice to the secretary of revenue regarding an approval of a sales tax exemption under this section. The sales tax exemption shall be valid until construction of the qualified business facility has been completed as certified by the secretary of commerce to the secretary of revenue or the date specified for completion of the qualified business facility in the agreement executed pursuant to section 2, and amendments thereto, whichever occurs first. No sales tax exemption shall be issued by the secretary of revenue unless the qualified firm or the qualified supplier has been certified by the secretary of commerce, as provided in section 2, and amendments thereto, as meeting all requirements of this act, the rules and regulations of the secretary, if any, and the agreement executed pursuant to section 2, and amendments thereto.

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

(e) If the qualified firm or qualified supplier breaches the terms and conditions of the agreement pursuant to section 2, and amendments thereto, the amount of sales tax exempted shall be repaid to the state as provided by section 2, and amendments thereto.

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

- (1) The names of the qualified firms or qualified suppliers;
- (2) the types of qualified firms or qualified suppliers utilizing the act;
- (3) the location of such companies and the location, description and economic and industry impact of such companies' business operations in Kansas;
- (4) the cumulative number of new employees hired and the new employees hired in that calendar year, with respect to each qualified firm and qualified supplier;
- (5) the number of employees who reside in Kansas and the number of employees who reside in other states, designated with respect to each other state and, if available, the number of employees who have relocated to Kansas from another state;
- (6) the wages paid for such new employees;
- (7) the annual and cumulative amount of investments made;
- (8) the annual amount of each benefit provided under this act;
- (9) the estimated net state fiscal impact, including the direct and indirect new state taxes derived from the new employees hired;
- (10) an estimate of the multiplier effect on the Kansas economy of the benefits received under this act;
- (11) any material defaults by a qualified firm or qualified supplier of the terms of any agreement pursuant to section 2, and amendments thereto; and
- (12) the percentage of the business of a qualified supplier that is with the qualified firm that designated the qualified supplier.

(b) Commencing on the effective date of this act, the secretary of commerce shall transmit quarterly to the chairpersons of the senate standing committee on commerce and the house of representatives standing committee on commerce, labor and economic development, or any successor committee, a report on the number of projects that may

qualify for incentives under this act.

New Sec. 11. (a) Commencing with fiscal year 2022, in any fiscal year that a qualified firm enters into an agreement with the secretary of commerce for the first time pursuant to section 2, and amendments thereto, and commences construction on a qualified business facility under this act the secretary of commerce shall certify such fact to the secretary of revenue, the director of the budget and the director of legislative research. Such certification shall be made when such fact is known to the secretary, but in any event on or before June 30 of such fiscal year.

(b) Upon receipt of such certification, the secretary of revenue shall adjust the corporate income tax rate imposed pursuant to the provisions of K.S.A. 79-32,110, and amendments thereto, to go into effect for the next tax year by reducing the rate by 0.5%. The maximum reduction to be applied for one taxable year shall be 0.5% regardless of the number of eligible qualifying firms that may have satisfied the conditions of subsection (a).

(c) The rate reduction of 0.5% shall be applied to reduce the normal tax on corporations imposed pursuant to K.S.A. 79-32,110, and amendments thereto, until reduced to 0%.

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

New Sec. 12. (a) On and after July 1, 2022, a qualified firm that meets the requirements of this section and section 2, and amendments thereto, and that has entered into an agreement with the secretary, as provided by section 2, and amendments thereto, shall be eligible for annual reimbursement of up to 50% of relocation incentives and expenses provided by the qualified firm to incentivize employees who are not Kansas residents to relocate their primary residence to this state and become Kansas residents. Reimbursement for such eligible incentives and expenses shall not exceed an annual reimbursement amount of \$1,000,000 to the qualified firm, as determined by the secretary. Reimbursement for such eligible incentives and expenses may be provided for up to ten successive years, as determined by the secretary.

(b) The qualified firm shall submit to the secretary a Kansas residency incentive plan for which it will seek reimbursement and the expected costs for each component of the plan. The reimbursement percentage shall be subject to the qualified firm meeting goals for incentivizing employees to become new Kansas residents as determined by the secretary. If the secretary approves the plan, the qualified firm and the secretary shall enter into an agreement that requires the qualified firm to provide annual documentation of the relocation incentive expenditures and the results of such expenditures to the secretary. No reimbursement shall be made unless the secretary of commerce has certified, for each year for which a reimbursement is claimed, that the qualified firm meets all requirements of this act, the rules and regulations of the secretary and the agreements entered into pursuant to this section and section 2, and amendments thereto.

(c) The qualified firm shall remit to the state an amount equal to the amount of benefits provided to the qualified firm pursuant to this section upon any breach by the qualified firm of the terms and

conditions set forth in the agreement entered into pursuant to this section or section 2, and amendments thereto. The agreement between the secretary of commerce and the qualified firm entered into pursuant to this section and section 2, and amendments thereto, shall specify such repayment requirements in such agreement.

(d) Subject to appropriations therefor, the allowable amount of reimbursement shall be paid to the qualified firm from the attracting powerful economic expansion Kansas residency incentive fund, established by section 13, and amendments thereto. No interest shall be allowed on any payment made to a qualified firm pursuant to this section.

New Sec. 13. There is hereby established in the state treasury the attracting powerful economic expansion Kansas residency incentive fund to be administered by the secretary of commerce. All moneys credited to the attracting powerful economic expansion Kansas residency incentive fund shall be used by the Kansas department of commerce for reimbursement to qualified firms for expenses incurred in a Kansas residency incentive plan for employees pursuant to the provisions of sections 2 and 12, and amendments thereto. All expenditures from the attracting powerful economic expansion Kansas residency incentive fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary of commerce or the secretary's designee.

New Sec. 14. The secretary of commerce shall not consider a new application, proceed with an application that has been submitted or enter into any agreement with a qualified firm or qualified supplier pursuant to section 2, and amendments thereto, on and after May 1, 2024.

Sec. 15. K.S.A. 79-32,110 is hereby amended to read as follows: 79-32,110. (a) *Resident Individuals*. Except as otherwise provided by K.S.A. 79-3220(a), and amendments thereto, a tax is hereby imposed upon the Kansas taxable income of every resident individual, which tax shall be computed in accordance with the following tax schedules:

(1) *Married individuals filing joint returns.*

(A) For tax year 2012:

If the taxable income is:	The tax is:
Not over \$30,000.....	3.5% of Kansas taxable income
Over \$30,000 but not over \$60,000....	\$1,050 plus 6.25% of excess over \$30,000
Over \$60,000.....	\$2,925 plus 6.45% of excess over \$60,000

(B) For tax year 2013:

If the taxable income is:	The tax is:
Not over \$30,000.....	3.0% of Kansas taxable income
Over \$30,000.....	\$900 plus 4.9% of excess over \$30,000

(C) For tax year 2014:

If the taxable income is:	The tax is:
Not over \$30,000.....	2.7% of Kansas taxable income
Over \$30,000.....	\$810 plus 4.8% of excess over \$30,000

(D) For tax years 2015 and 2016:

If the taxable income is:	The tax is:
Not over \$30,000.....	2.7% of Kansas taxable income
Over \$30,000.....	\$810 plus 4.6% of excess over \$30,000

(E) For tax year 2017:

If the taxable income is:	The tax is:
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Not over \$30,000.....	2.9% of Kansas taxable income
Over \$30,000 but not over \$60,000.....	\$870 plus 4.9% of excess over \$30,000
Over \$60,000.....	\$2,340 plus 5.2% of excess over \$60,000

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

If the taxable income is:	The tax is:
Not over \$30,000.....	3.1% of Kansas taxable income
Over \$30,000 but not over \$60,000.....	\$930 plus 5.25% of excess over \$30,000
Over \$60,000.....	\$2,505 plus 5.7% of excess over \$60,000

(2) *All other individuals.*

(A) For tax year 2012:

If the taxable income is:	The tax is:
Not over \$15,000.....	3.5% of Kansas taxable income
Over \$15,000 but not over \$30,000.....	\$525 plus 6.25% of excess over \$15,000
Over \$30,000.....	\$1,462.50 plus 6.45% of excess over \$30,000

(B) For tax year 2013:

If the taxable income is:	The tax is:
Not over \$15,000.....	3.0% of Kansas taxable income
Over \$15,000.....	\$450 plus 4.9% of excess over \$15,000

(C) For tax year 2014:

If the taxable income is:	The tax is:
Not over \$15,000.....	2.7% of Kansas taxable income
Over \$15,000.....	\$405 plus 4.8% of excess over \$15,000

(D) For tax years 2015 and 2016:

If the taxable income is:	The tax is:
Not over \$15,000.....	2.7% of Kansas taxable income
Over \$15,000.....	\$405 plus 4.6% of excess over \$15,000

(E) For tax year 2017:

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

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

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

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

(c) *Corporations.* A tax is hereby imposed upon the Kansas taxable income of every corporation doing business within this state or deriving income from sources within this state. Such tax shall consist of a normal tax and a surtax and shall be computed as follows *unless otherwise modified pursuant to section 11, and amendments thereto:*

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

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

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

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

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

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

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

Sec. 16. K.S.A. 2021 Supp. 79-3606 is hereby amended to read as follows: 79-3606. The following shall be exempt from the tax imposed by this act:

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

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

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

(d) all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any public or private nonprofit hospital or public hospital authority, public or private elementary or secondary school, a public or private nonprofit educational institution, state correctional institution including a privately constructed correctional institution contracted for state use and ownership, that would be exempt from taxation under the provisions of this act if purchased directly by such hospital or public hospital authority, school, educational institution or a state correctional institution; and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any political subdivision of the state or district described in subsection (s), the total cost of which is paid from funds of such political subdivision or district and that would be exempt from taxation under the provisions of this act if purchased directly by such political subdivision or district. Nothing in this subsection or in the provisions of K.S.A. 12-3418, and amendments thereto, shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any political subdivision of the state or any such district. As used in this subsection, K.S.A. 12-3418 and 79-3640, and amendments thereto, "funds of a political subdivision" shall mean general tax revenues, the proceeds of any bonds and gifts or grants-in-aid. Gifts shall not mean funds used for the purpose of constructing, equipping, reconstructing, repairing, enlarging, furnishing or remodeling facilities that are to be leased to the donor. When any political subdivision of the state, district described in subsection (s), public or private nonprofit hospital or public hospital authority, public or private elementary or secondary school, public or private nonprofit educational institution, state correctional institution including a privately constructed correctional institution contracted for state use and ownership shall contract for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to the political subdivision, district described in subsection (s), hospital or public hospital authority, school, educational institution or department of corrections concerned a sworn statement,

on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. As an alternative to the foregoing procedure, any such contracting entity may apply to the secretary of revenue for agent status for the sole purpose of issuing and furnishing project exemption certificates to contractors pursuant to rules and regulations adopted by the secretary establishing conditions and standards for the granting and maintaining of such status. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials that will not be so incorporated in the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, the political subdivision, district described in subsection (s), hospital or public hospital authority, school, educational institution or the contractor contracting with the department of corrections for a correctional institution concerned shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in K.S.A. 79-3615(h), and amendments thereto;

(e) all sales of tangible personal property or services purchased by a contractor for the erection, repair or enlargement of buildings or other projects for the government of the United States, its agencies or instrumentalities, that would be exempt from taxation if purchased directly by the government of the United States, its agencies or instrumentalities. When the government of the United States, its agencies or instrumentalities shall contract for the erection, repair, or enlargement of any building or other project, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificates to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to the government of the United States, its agencies or instrumentalities concerned a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. As an alternative to the foregoing procedure, any such contracting entity may apply to the secretary of revenue for agent status for the sole purpose of issuing and furnishing project exemption certificates to contractors pursuant to rules and regulations adopted by the secretary establishing conditions and standards for the granting and maintaining of such status. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise

imposed upon such materials, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in K.S.A. 79-3615(h), and amendments thereto;

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

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

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

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

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

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

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

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

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

(o) all sales of 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 or fur, or the production of offspring for use for any such purpose or purposes;

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

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

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

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

(t) all sales of farm machinery and equipment or aquaculture machinery and equipment, repair and replacement parts therefor and services performed in the repair and maintenance of such machinery and equipment. For the purposes of this subsection the term "farm machinery and equipment or aquaculture machinery and equipment" shall include a work-site utility vehicle, as defined in K.S.A. 8-126, and amendments thereto, and is equipped with a bed or cargo box for hauling materials, and shall also include machinery and equipment used in the operation of Christmas tree farming but shall not include any passenger vehicle, truck, truck tractor, trailer, semitrailer or pole trailer,

other than a farm trailer, as such terms are defined by K.S.A. 8-126, and amendments thereto. "Farm machinery and equipment" includes precision farming equipment that is portable or is installed or purchased to be installed on farm machinery and equipment. "Precision farming equipment" includes the following items used only in computer-assisted farming, ranching or aquaculture production operations: Soil testing sensors, yield monitors, computers, monitors, software, global positioning and mapping systems, guiding systems, modems, data communications equipment and any necessary mounting hardware, wiring and antennas. Each purchaser of farm machinery and equipment or aquaculture machinery and equipment exempted herein must certify in writing on the copy of the invoice or sales ticket to be retained by the seller that the farm machinery and equipment or aquaculture machinery and equipment purchased will be used only in farming, ranching or aquaculture production. Farming or ranching shall include the operation of a feedlot and farm and ranch work for hire and the operation of a nursery;

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

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

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

(x) 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 occurring prior to January 1, 2006;

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

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

(aa) all sales of materials and services applied to equipment that is transported into the state from without the state for repair, service, alteration, maintenance, remanufacture or modification and that is subsequently transported outside the state for use in the transmission of

liquids or natural gas by means of pipeline in interstate or foreign commerce under authority of the laws of the United States;

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

(cc) all sales of tangible personal property or services purchased prior to January 1, 2012, except as otherwise provided, for the purpose of and in conjunction with constructing, reconstructing, enlarging or remodeling a business or retail business that meets the requirements established in K.S.A. 74-50,115, and amendments thereto, and the sale and installation of machinery and equipment purchased for installation at any such business or retail business, and all sales of tangible personal property or services purchased on or after January 1, 2012, for the purpose of and in conjunction with constructing, reconstructing, enlarging or remodeling a business that meets the requirements established in K.S.A. 74-50,115(e), and amendments thereto, and the sale and installation of machinery and equipment purchased for installation at any such business. When a person shall contract for the construction, reconstruction, enlargement or remodeling of any such business or retail business, such person shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials, machinery and equipment for incorporation in such project. The contractor shall furnish the number of such certificates to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to the owner of the business or retail business a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials, machinery or equipment purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed thereon, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in K.S.A. 79-3615(h), and amendments thereto. As used in this subsection, "business" and "retail business" mean the same as defined in K.S.A. 74-50,114, and amendments thereto. Project exemption certificates that have been previously issued under this subsection by the department of revenue pursuant to K.S.A. 74-50,115, and amendments thereto, but not including K.S.A. 74-50,115(e), and amendments thereto, prior to January 1, 2012, and have not expired will be effective for the term of the project or two years from the effective date of the certificate, whichever occurs earlier. Project exemption certificates that are submitted to the department of revenue prior to January 1, 2012, and are found to qualify will be issued a project exemption certificate that will be effective for a two-year period or for the term of the project, whichever occurs earlier;

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

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

(ff) on and after July 1, 1988, all sales of new mobile homes or manufactured homes to the extent of 40% of the gross receipts,

determined without regard to any trade-in allowance, received from such sale. As used in this subsection, "mobile homes" and "manufactured homes" mean the same as defined in K.S.A. 58-4202, and amendments thereto;

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

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

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

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

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

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

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

(2) For purposes of this subsection:

(A) "Integrated production operation" means an integrated series of operations engaged in at a manufacturing or processing plant or facility to process, transform or convert tangible personal property by physical, chemical or other means into a different form, composition or character from that in which it originally existed. Integrated production operations shall include: (i) Production line operations, including packaging operations; (ii) preproduction operations to handle, store and treat raw materials; (iii) post production handling, storage, warehousing

and distribution operations; and (iv) waste, pollution and environmental control operations, if any;

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

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

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

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

used in production operations;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) The following machinery, equipment and materials shall be deemed to be exempt even though it may not otherwise qualify as machinery and equipment used as an integral or essential part of an integrated production operation: (A) Computers and related peripheral equipment that are utilized by a manufacturing or processing business for engineering of the finished product or for research and development or product design; (B) machinery and equipment that is utilized by a manufacturing or processing business to manufacture or rebuild tangible personal property that is used in manufacturing or processing operations, including tools, dies, molds, forms and other parts of qualifying machinery and equipment; (C) portable plants for aggregate concrete, bulk cement and asphalt including cement mixing drums to be attached to a motor vehicle; (D) industrial fixtures, devices, support facilities and special foundations necessary for manufacturing and

production operations, and materials and other tangible personal property sold for the purpose of fabricating such fixtures, devices, facilities and foundations. An exemption certificate for such purchases shall be signed by the manufacturer or processor. If the fabricator purchases such material, the fabricator shall also sign the exemption certificate; (E) a manufacturing or processing business' laboratory equipment that is not located at the plant or facility, but that would otherwise qualify for exemption under subsection (3)(E); (F) all machinery and equipment used in surface mining activities as described in K.S.A. 49-601 et seq., and amendments thereto, beginning from the time a reclamation plan is filed to the acceptance of the completed final site reclamation.

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

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

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

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

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

(E) furniture and other furnishings;

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

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

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

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

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

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

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

(II) all sales of educational materials purchased for distribution to the public at no charge by a nonprofit corporation organized for the purpose of encouraging, fostering and conducting programs for the improvement of public health, except that for taxable years commencing after December 31, 2013, this subsection shall not apply

to any sales of such materials purchased by a nonprofit corporation which performs any abortion, as defined in K.S.A. 65-6701, and amendments thereto;

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) the American diabetes association Kansas affiliate, inc. for the purpose of eliminating diabetes through medical research, public

education focusing on disease prevention and education, patient education including information on coping with diabetes, and professional education and training;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(19) the international association of lions clubs for the purpose of creating and fostering a spirit of understanding among all people for

humanitarian needs by providing voluntary services through community involvement and international cooperation;

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

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

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

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

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

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

(xx) all sales of tangible personal property and services purchased by a nonprofit zoo that is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986, or on behalf of such zoo by an entity itself exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986 contracted with to operate such zoo and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any nonprofit zoo that would be exempt from taxation under the provisions of this section if purchased directly by such nonprofit zoo or the entity operating such zoo. Nothing in this subsection shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any nonprofit zoo. When any nonprofit zoo shall contract for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to the nonprofit zoo concerned a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials that will not be so incorporated in the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, the nonprofit zoo concerned shall be liable for tax on all materials

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

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

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

(aaa) all sales of tangible personal property and services purchased by a religious organization that is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code, and used exclusively for religious purposes, and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any such organization that would be exempt from taxation under the provisions of this section if purchased directly by such organization. Nothing in this subsection shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any such organization. When any such organization shall contract for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to such organization concerned a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials that will not be so incorporated in the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, such organization concerned shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or

any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in K.S.A. 79-3615(h), and amendments thereto. Sales tax paid on and after July 1, 1998, but prior to the effective date of this act upon the gross receipts received from any sale exempted by the amendatory provisions of this subsection shall be refunded. Each claim for a sales tax refund shall be verified and submitted 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 sales tax paid as determined under the provisions of this subsection. All 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 or the director's designee;

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

(ccc) on and after July 1, 1999, all sales of tangible personal property and services purchased by a primary care clinic or health center the primary purpose of which is to provide services to medically underserved individuals and families, and that is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code, and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any such clinic or center that would be exempt from taxation under the provisions of this section if purchased directly by such clinic or center, except that for taxable years commencing after December 31, 2013, this subsection shall not apply to any sales of such tangible personal property and services purchased by a primary care clinic or health center which performs any abortion, as defined in K.S.A. 65-6701, and amendments thereto. Nothing in this subsection shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any such clinic or center. When any such clinic or center shall contract for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to such clinic or center concerned a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed

upon such materials that will not be so incorporated in the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, such clinic or center concerned shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in K.S.A. 79-3615(h), and amendments thereto;

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

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

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

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

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

(iii) all sales of personal property and services purchased by an organization that is exempt from federal income taxation pursuant to

section 501(c)(3) of the federal internal revenue code of 1986, and such personal property and services are used by any such organization in the collection, storage and distribution of food products to nonprofit organizations that distribute such food products to persons pursuant to a food distribution program on a charitable basis without fee or charge, and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities used for the collection and storage of such food products for any such organization which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986, that would be exempt from taxation under the provisions of this section if purchased directly by such organization. Nothing in this subsection shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any such organization. When any such organization shall contract for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to such organization concerned a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in such facilities or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials that will not be so incorporated in such facilities reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, such organization concerned shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in K.S.A. 79-3615(h), and amendments thereto. Sales tax paid on and after July 1, 2005, but prior to the effective date of this act upon the gross receipts received from any sale exempted by the amendatory provisions of this subsection shall be refunded. Each claim for a sales tax refund shall be verified and submitted 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 sales tax paid as determined under the provisions of this subsection. All 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 or the director's designee;

(jjj) all sales of dietary supplements dispensed pursuant to a

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

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

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

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

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

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

(qqq) all sales of tangible personal property and services purchased by TLC for children and families, inc., hereinafter referred to as TLC, which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986, and such property and services are used for the purpose of providing emergency shelter and treatment for abused and neglected children as well as meeting additional critical needs for children, juveniles and family, and all sales of any such property by or on behalf of TLC for any such purpose; and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for the operation of services for TLC for any such purpose that would be

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

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

(sss) all sales of tangible personal property and services purchased by catholic charities or youthville, hereinafter referred to as charitable family providers, which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986, and which such property and services are used for the purpose of providing emergency shelter and treatment for abused and neglected children as well as meeting additional critical needs for children, juveniles and family, and all sales of any such property by or on behalf of charitable family providers for any such purpose; and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for the operation of services for charitable family providers for any such purpose which would be exempt from taxation under the provisions of this section if purchased directly by charitable family providers. Nothing in this subsection shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in

the constructing, maintaining, repairing, enlarging, furnishing or remodeling such facilities for charitable family providers. When charitable family providers contracts for the purpose of constructing, maintaining, repairing, enlarging, furnishing or remodeling such facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to charitable family providers a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials that will not be so incorporated in the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, charitable family providers shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in K.S.A. 79-3615(h), and amendments thereto;

(ttt) all sales of tangible personal property or services purchased by a contractor for a project for the purpose of restoring, constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling a home or facility owned by a nonprofit museum that has been granted an exemption pursuant to subsection (qq), which such home or facility is located in a city that has been designated as a qualified hometown pursuant to the provisions of K.S.A. 75-5071 et seq., and amendments thereto, and which such project is related to the purposes of K.S.A. 75-5071 et seq., and amendments thereto, and that would be exempt from taxation under the provisions of this section if purchased directly by such nonprofit museum. Nothing in this subsection shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the restoring, constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling a home or facility for any such nonprofit museum. When any such nonprofit museum shall contract for the purpose of restoring, constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling a home or facility, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificates to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project, the contractor shall furnish to such nonprofit museum a sworn statement on a form to be provided by the director of taxation that all

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

(uuu) all sales of tangible personal property and services purchased by Kansas children's service league, hereinafter referred to as KCSL, which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986, and which such property and services are used for the purpose of providing for the prevention and treatment of child abuse and maltreatment as well as meeting additional critical needs for children, juveniles and family, and all sales of any such property by or on behalf of KCSL for any such purpose; and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for the operation of services for KCSL for any such purpose that would be exempt from taxation under the provisions of this section if purchased directly by KCSL. Nothing in this subsection shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, maintaining, repairing, enlarging, furnishing or remodeling such facilities for KCSL. When KCSL contracts for the purpose of constructing, maintaining, repairing, enlarging, furnishing or remodeling such facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to KCSL a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials that will not be so incorporated in the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, KCSL shall be liable for tax on all materials purchased for the project, and

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

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

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

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

be used for the purpose for which such certificate was issued, such organization concerned shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in K.S.A. 79-3615(h), and amendments thereto. Sales tax paid on and after January 1, 2007, but prior to the effective date of this act upon the gross receipts received from any sale which would have been exempted by the provisions of this subsection had such sale occurred after the effective date of this act shall be refunded. Each claim for a sales tax refund shall be verified and submitted 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 sales tax paid as determined under the provisions of this subsection. All 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 or the director's designee;

(yyy) all sales of tangible personal property and services purchased by TLC charities foundation, inc., hereinafter referred to as TLC charities, which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986, and which such property and services are used for the purpose of encouraging private philanthropy to further the vision, values, and goals of TLC for children and families, inc.; and all sales of such property and services by or on behalf of TLC charities for any such purpose and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for the operation of services for TLC charities for any such purpose that would be exempt from taxation under the provisions of this section if purchased directly by TLC charities. Nothing in this subsection shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, maintaining, repairing, enlarging, furnishing or remodeling such facilities for TLC charities. When TLC charities contracts for the purpose of constructing, maintaining, repairing, enlarging, furnishing or remodeling such facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to TLC charities a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials that will not be incorporated into the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of

the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, TLC charities shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in K.S.A. 79-3615(h), and amendments thereto;

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

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

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

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

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

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

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

and all sales of tangible personal property or services purchased by a contractor for the purpose of rehabilitating, constructing, maintaining, repairing, enlarging, furnishing or remodeling homes and facilities for sheltered living, inc., for any such purpose that would be exempt from taxation under the provisions of this section if purchased directly by sheltered living, inc. Nothing in this subsection shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, maintaining, repairing, enlarging, furnishing or remodeling such homes and facilities for sheltered living, inc. When sheltered living, inc., contracts for the purpose of rehabilitating, constructing, maintaining, repairing, enlarging, furnishing or remodeling such homes and facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to sheltered living, inc., a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials that will not be so incorporated in the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, sheltered living, inc., shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in K.S.A. 79-3615(h), and amendments thereto;

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

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

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

(iii) all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for the operation of services for Wichita children's home for any such purpose that would be exempt from taxation under the provisions of this section if purchased directly by Wichita children's home. Nothing in this subsection shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, maintaining, repairing, enlarging, furnishing or remodeling such facilities for Wichita children's home. When Wichita children's home contracts for the purpose of constructing, maintaining, repairing, enlarging, furnishing or remodeling such facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project, the contractor shall furnish to Wichita children's home a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials that will not be so incorporated in the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, Wichita children's home shall be liable for the tax on all materials purchased for the project, and upon payment, it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty of a misdemeanor and, upon conviction, shall be subject to the penalties provided for in K.S.A. 79-3615(h), and amendments thereto;

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

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

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

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

(nnnn) all sales of tangible personal property or services purchased by friends of hospice of Jefferson county, an organization that is exempt from federal income taxation pursuant to section 501(c)

(3) of the federal internal revenue code of 1986, for the purpose of providing support to the Jefferson county hospice agency in end-of-life care of Jefferson county families, friends and neighbors, and all sales of entry or participation fees, charges or tickets by friends of hospice of Jefferson county for such organization's fundraising event for such purpose; and

(oooo) all sales of tangible personal property or services purchased for the purpose of and in conjunction with constructing, reconstructing, enlarging or remodeling a qualified business facility by a qualified firm or qualified supplier that meets the requirements established in sections 2 and 9, and amendments thereto, and that has been approved for a project exemption certificate by the secretary of commerce, and the sale and installation of machinery and equipment purchased by such qualified firm or qualified supplier for installation at any such qualified business facility. When a person shall contract for the construction, reconstruction, enlargement or remodeling of any such qualified business facility, such person shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials, machinery and equipment for incorporation in such project. The contractor shall furnish the number of such certificates to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project, the contractor shall furnish to the owner of the qualified firm or qualified supplier a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. Any contractor or any agent, employee or subcontractor thereof who shall use or otherwise dispose of any materials, machinery or equipment purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed thereon, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in K.S.A. 79-3615(h), and amendments thereto. As used in this subsection, "qualified business facility," "qualified firm" and "qualified supplier" mean the same as defined in section 1, and amendments thereto.

Sec. 17. K.S.A. 79-32,110 and K.S.A. 2021 Supp. 79-3606 are hereby repealed.

Sec. 18. This act shall take effect and be in force from and after its publication in the Kansas register.

I hereby certify that the above BILL originated in the SENATE, and passed that body

SENATE concurred in
HOUSE amendments _____

President of the Senate.

Secretary of the Senate.

Passed the HOUSE
as amended _____

Speaker of the House.

Chief Clerk of the House.

APPROVED _____

Governor.