

**HOUSE BILL No. 2237**

By Committee on Taxation

2-1

1 AN ACT concerning taxation; relating to income taxation, rates,  
2 determination of income, tax credits; motor fuels tax, rates, trip  
3 permits, distribution; sales and compensating use tax, food and food  
4 ingredients; amending K.S.A. 2016 Supp. 32-1438, 39-7,132, 40-2246,  
5 65-7107, 74-8206, 74-8304, 74-8316, 74-8401, 79-32,110, 79-32,117,  
6 79-32,182b, 79-32,190, 79-32,200, 79-32,201, 79-32,204, 79-32,207,  
7 79-32,210, 79-32,212, 79-32,222, 79-3492b, 79-34,118, 79-34,141, 79-  
8 34,142, 79-3602, 79-3603, 79-3620, 79-3703 and 79-3710 and  
9 repealing the existing sections; also repealing K.S.A. 2016 Supp. 79-  
10 32,269.  
11

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

13 Section 1. K.S.A. 2016 Supp. 32-1438 is hereby amended to read as  
14 follows: 32-1438. (a) ~~For taxable years commencing on and after~~  
15 ~~December 31, 2003, December 31, 2004, December 31, 2005, December~~  
16 ~~31, 2006, and December 31, 2007,~~ There shall be allowed as a credit  
17 against the tax liability of a taxpayer imposed under the Kansas income tax  
18 act, an amount equal to 20% of the cost of liability insurance paid by a  
19 registered agritourism operator who operates an agritourism activity on the  
20 effective date of this act. No tax credit claimed pursuant to this subsection  
21 shall exceed \$2,000. If the amount of such tax credit exceeds the  
22 taxpayer's income tax liability for such taxable year, the amount thereof  
23 which exceeds such tax liability may be carried over for deduction from  
24 the taxpayer's income tax liability in the next succeeding taxable year or  
25 years until the total amount of tax credit has been deducted from tax  
26 liability, except that no such tax credit shall be carried forward for  
27 deduction after the third taxable year succeeding the taxable year in which  
28 the tax credit is claimed.

29 (b) For the first five taxable years commencing after a taxpayer opens  
30 such taxpayer's business, after the effective date of this act, there shall be  
31 allowed as a credit against the tax liability of a taxpayer imposed under the  
32 Kansas income tax act, an amount equal to 20% of the cost of liability  
33 insurance paid by a registered agritourism operator who starts an  
34 agritourism activity after the effective date of this act. No tax credit  
35 claimed pursuant to this subsection shall exceed \$2,000. If the amount of  
36 such tax credit exceeds the taxpayer's income tax liability for such taxable

1 year, the amount thereof which exceeds such tax liability may be carried  
2 over for deduction from the taxpayer's income tax liability in the next  
3 succeeding taxable year or years until the total amount of tax credit has  
4 been deducted from tax liability, except that no such tax credit shall be  
5 carried forward for deduction after the third taxable year succeeding the  
6 taxable year in which the tax credit is claimed.

7 (c) The secretary of wildlife, parks and tourism shall adopt rules and  
8 regulations establishing criteria for determining those costs which qualify  
9 as costs of liability insurance for agritourism activities of a registered  
10 agritourism operator.

11 ~~(d) On or before the 15<sup>th</sup> day of the regular legislative session in~~  
12 ~~2006, the secretary of commerce shall submit to the senate standing~~  
13 ~~committee on commerce and the house standing committee on tourism and~~  
14 ~~parks a report on the implementation and use of the tax credit provided by~~  
15 ~~this section.~~

16 ~~(e)~~—As used in this section, terms have the meanings provided by  
17 K.S.A. 2016 Supp. 32-1432, and amendments thereto.

18 ~~(f)(e)~~ For ~~tax year 2013 and all tax years thereafter~~ *all tax years*  
19 *beginning after December 31, 2012, and ending before January 1, 2018,*  
20 the income tax credit provided by this section shall only be available to  
21 taxpayers subject to the income tax on corporations imposed pursuant to  
22 ~~subsection (e) of K.S.A. 79-32,110(c),~~ and amendments thereto, and shall  
23 be applied only against such taxpayer's corporate income tax liability.

24 Sec. 2. K.S.A. 2016 Supp. 39-7,132 is hereby amended to read as  
25 follows: 39-7,132. (a) Any person who agrees to provide financial support  
26 to a person who would otherwise be eligible to receive aid to families with  
27 dependent children and who has entered into an agreement with the  
28 secretary for children and families for this purpose, in accordance with  
29 rules and regulations adopted by the secretary for children and families  
30 establishing the terms and conditions of such agreement, shall receive a  
31 credit against the tax liability imposed under the Kansas income tax act as  
32 provided under K.S.A. 79-32,200, and amendments thereto.

33 (b) Moneys received by the secretary under this section shall be used  
34 to match available federal moneys for providing aid to families with  
35 dependent children in the following manner: (1) The portion equal to 80%  
36 of such moneys shall be credited to the state general fund; (2) the portion  
37 equal to 15% of such moneys shall be used by the secretary to match  
38 available federal moneys and shall be added by the secretary to the grant  
39 of the recipient family; and (3) the remaining portion equal to 5% of such  
40 moneys shall be credited to the social welfare fund for administrative  
41 expenses and one-time grants.

42 ~~(c) For tax year 2013 and all tax years thereafter~~ *all taxable years*  
43 *beginning after December 31, 2012, and ending before January 1, 2018,*

1 the income tax credit provided by this section shall only be available to  
2 taxpayers subject to the income tax on corporations imposed pursuant to  
3 ~~subsection (c) of K.S.A. 79-32,110(c)~~, and amendments thereto, and shall  
4 be applied only against such taxpayer's corporate income tax liability.

5 Sec. 3. K.S.A. 2016 Supp. 40-2246 is hereby amended to read as  
6 follows: 40-2246. (a) A credit against the taxes otherwise due under the  
7 Kansas income tax act shall be allowed to an employer for amounts paid  
8 during the taxable year for purposes of this act on behalf of an eligible  
9 employee as defined in K.S.A. 40-2239, and amendments thereto, to  
10 provide health insurance or care and amounts contributed to health savings  
11 accounts of eligible covered employees, except that for taxable years  
12 commencing after December 31, 2013, no credit shall be allowed pursuant  
13 to this section for that portion of any amounts paid by an employer for  
14 healthcare expenditures, a health benefit plan, as defined in K.S.A. 2016  
15 Supp. 65-6731, and amendments thereto, or amounts contributed to health  
16 savings accounts for the purchase of an optional rider for coverage of  
17 abortion in accordance with K.S.A. 40-2,190, and amendments thereto.

18 (b) (1) For employers that have established a small employer health  
19 benefit plan after December 31, 1999, but prior to January 1, 2005, the  
20 amount of the credit allowed by subsection (a) shall be \$35 per month per  
21 eligible covered employee or 50% of the total amount paid by the  
22 employer during the taxable year, whichever is less, for the first two years  
23 of participation. In the third year, the credit shall be equal to 75% of the  
24 lesser of \$35 per month per employee or 50% of the total amount paid by  
25 the employer during the taxable year. In the fourth year, the credit shall be  
26 equal to 50% of the lesser of \$35 per month per employee or 50% of the  
27 total amount paid by the employer during the taxable year. In the fifth year,  
28 the credit shall be equal to 25% of the lesser of \$35 per month per  
29 employee or 50% of the total amount paid by the employer during the  
30 taxable year. For the sixth and subsequent years, no credit shall be  
31 allowed.

32 (2) For employers that have established a small employer health  
33 benefit plan or made contributions to a health savings account of an  
34 eligible covered employee after December 31, 2004, the amount of credit  
35 allowed by subsection (a) shall be \$70 per month per eligible covered  
36 employee for the first 12 months of participation, \$50 per month per  
37 eligible covered employee for the next 12 months of participation and \$35  
38 per eligible covered employee for the next 12 months of participation.  
39 After 36 months of participation, no credit shall be allowed.

40 (c) If the credit allowed by this section is claimed, the amount of any  
41 deduction allowable under the Kansas income tax act for expenses  
42 described in this section shall be reduced by the dollar amount of the  
43 credit. The election to claim the credit shall be made at the time of filing

1 the tax return in accordance with law. If the credit allowed by this section  
2 exceeds the taxes imposed under the Kansas income tax act for the taxable  
3 year, that portion of the credit which exceeds those taxes shall be refunded  
4 to the taxpayer.

5 (d) Any amount of expenses paid by an employer under this act shall  
6 not be included as income to the employee for purposes of the Kansas  
7 income tax act. If such expenses have been included in federal taxable  
8 income of the employee, the amount included shall be subtracted in  
9 arriving at state taxable income under the Kansas income tax act.

10 (e) The secretary of revenue shall promulgate rules and regulations to  
11 carry out the provisions of this section.

12 (f) This section shall apply to all taxable years commencing after  
13 December 31, 1999.

14 (g) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*  
15 *beginning after December 31, 2012, and ending before January 1, 2018,*  
16 the income tax credit provided by this section shall only be available to  
17 taxpayers subject to the income tax on corporations imposed pursuant to  
18 ~~subsection (c) of K.S.A. 79-32,110(c)~~, and amendments thereto, and shall  
19 be applied only against such taxpayer's corporate income tax liability.

20 Sec. 4. K.S.A. 2016 Supp. 65-7107 is hereby amended to read as  
21 follows: 65-7107. (a) Appropriate state agencies are hereby directed to  
22 amend their state plans to protect the benefits of those receiving such  
23 benefits by adding language consistent with the following: Any funds in an  
24 individual development account, including accrued interest, shall be  
25 disregarded when determining eligibility to receive the amount of any  
26 public assistance or benefits.

27 (b) A program contributor shall be allowed a credit against state  
28 income tax imposed under the Kansas income tax act in an amount equal  
29 to 25% of the contribution amount.

30 (c) The institute shall verify all tax credit claims by contributors. The  
31 administration of the community-based organization, with the cooperation  
32 of the participating financial institutions, shall submit the names of  
33 contributors and the total amount each contributor contributes to the  
34 individual development account reserve fund for the calendar year. The  
35 institute shall determine the date by which such information shall be  
36 submitted to the institute by the local administrator. The institute shall  
37 submit verification of qualified tax credits pursuant to K.S.A. 65-7101  
38 through 65-7107, and amendments thereto, to the department of revenue.

39 (d) The total tax credits authorized pursuant to this section shall not  
40 exceed \$6,250 in any fiscal year.

41 (e) The provisions of this section shall be applicable to all taxable  
42 years commencing after December 31, 2002.

43 (f) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*

1 *beginning after December 31, 2012, and ending before January 1, 2018,*  
2 the income tax credit provided by this section shall only be available to  
3 taxpayers subject to the income tax on corporations imposed pursuant to  
4 ~~subsection (e) of K.S.A. 79-32,110(c)~~, and amendments thereto, and shall  
5 be applied only against such taxpayer's corporate income tax liability.

6 Sec. 5. K.S.A. 2016 Supp. 74-8206 is hereby amended to read as  
7 follows: 74-8206. (a) Except as otherwise provided in K.S.A. 74-8207, and  
8 amendments thereto, every taxpayer investing in stock issued by Kansas  
9 venture capital, inc. shall be entitled to a credit in an amount equal to 25%  
10 of the total amount of cash investment in such stock against the income tax  
11 liability imposed against such taxpayer pursuant to article 32 of chapter 79  
12 of the Kansas Statutes Annotated, *and amendments thereto*. The amount by  
13 which that portion of the credit allowed by this section exceeds the  
14 taxpayer's tax liability in any one taxable year may be carried forward until  
15 the total amount of the credit is used. If the taxpayer is a corporation  
16 having an election in effect under subchapter S of the federal internal  
17 revenue code or a partnership, the credit provided by this section shall be  
18 claimed by the shareholders of such corporation or the partners of such  
19 partnership in the same manner as such shareholders or partners account  
20 for their proportionate shares of the income or loss of the corporation or  
21 partnership.

22 (b) No taxpayer claiming a credit under this section for cash  
23 investment in stock issued by Kansas venture capital, inc. shall be eligible  
24 to claim a credit for the same investment under the provisions of K.S.A.  
25 74-8301 to 74-8311, inclusive, and amendments thereto.

26 (c) The provisions of this section, and amendments thereto, shall be  
27 applicable to all taxable years commencing after December 31, 1997, until  
28 all allowed credits are exhausted.

29 ~~(d) For tax year 2013 and all tax years thereafter~~ *all taxable years*  
30 *beginning after December 31, 2012, and ending before January 1, 2018,*  
31 the income tax credit provided by this section shall only be available to  
32 taxpayers subject to the income tax on corporations imposed pursuant to  
33 ~~subsection (e) of K.S.A. 79-32,110(c)~~, and amendments thereto, and shall  
34 be applied only against such taxpayer's corporate income tax liability.

35 Sec. 6. K.S.A. 2016 Supp. 74-8304 is hereby amended to read as  
36 follows: 74-8304. (a) There shall be allowed as a credit against the tax  
37 imposed by the Kansas income tax act on the Kansas taxable income of a  
38 taxpayer and against the tax imposed by K.S.A. 40-252, and amendments  
39 thereto, on insurance companies for a cash investment in a certified  
40 Kansas venture capital company in an amount equal to 25% of such  
41 taxpayer's cash investment in any such company in the taxable year in  
42 which such investment is made and the taxable years following such  
43 taxable year until the total amount of the credit is used. The amount by

1 which that portion of the credit allowed by this section exceeds the  
2 taxpayer's liability in any one taxable year may be carried forward until the  
3 total amount of the credit is used. If the taxpayer is a corporation having an  
4 election in effect under subchapter S of the federal internal revenue code  
5 or a partnership, the credit provided by this section shall be claimed by the  
6 shareholders of such corporation or the partners of such partnership in the  
7 same manner as such shareholders or partners account for their  
8 proportionate shares of the income or loss of the corporation or  
9 partnership.

10 (b) The secretary of revenue shall allow credits that are attributable to  
11 not more than \$50,000,000 of cash investments in certified Kansas venture  
12 capital companies and certified local seed capital pools allowable pursuant  
13 to K.S.A. 74-8401, and amendments thereto, which shall include not more  
14 than \$10,000,000 for Kansas venture capital, inc. The credits shall be  
15 allocated by the secretary for cash investments in certified Kansas venture  
16 capital companies in the order that completed applications for designation  
17 as Kansas venture capital companies are received by the secretary. Any  
18 certified Kansas venture capital company may apply to the secretary at any  
19 time for additional allocation of such credit based upon then committed  
20 cash investments, but priority as to such additional allocation shall be  
21 determined at the time of such subsequent application. Notwithstanding  
22 the provisions of subsection (c), investors in Kansas venture capital  
23 companies established after July 1, 1984, which otherwise meet the  
24 requirements specified in this act, shall be, upon certification of the Kansas  
25 venture capital company, entitled to the tax credit provided in subsection  
26 (a) in the calendar year in which the investment was made.

27 (c) No taxpayer shall claim a credit under this section for cash  
28 investment in Kansas venture capital, inc. No Kansas venture capital  
29 company shall qualify for the tax credit allowed by Chapter 332 of the  
30 1986 Session Laws of Kansas for investment in stock of Kansas venture  
31 capital, inc.

32 (d) The provisions of this section, and amendments thereto, shall be  
33 applicable to cash investments made in any taxable year commencing after  
34 December 31, 1985, and prior to January 1, 1998.

35 (e) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*  
36 *beginning after December 31, 2012, and ending before January 1, 2018,*  
37 the income tax credit provided by this section shall only be available to  
38 taxpayers subject to the income tax on corporations imposed pursuant to  
39 ~~subsection (e) of K.S.A. 79-32,110(c),~~ and amendments thereto, and shall  
40 be applied only against such taxpayer's corporate income tax liability.

41 Sec. 7. K.S.A. 2016 Supp. 74-8316 is hereby amended to read as  
42 follows: 74-8316. (a) The secretary is hereby authorized to facilitate the  
43 establishment of a technology-based venture-capital fund in which the

1 department may invest only moneys from the economic development  
2 initiatives fund specifically so allocated. The department may also credit  
3 the fund with gifts, donations or grants received from any source other  
4 than state government and with proceeds from the fund. Investments in the  
5 fund shall qualify for the income tax credit allowed pursuant to K.S.A. 74-  
6 8304, and amendments thereto.

7 (b) The technology-based venture-capital fund may invest the assets  
8 as follows:

9 (1) To carry out the purposes of this act through investments in  
10 qualified securities and through the forms of financial assistance  
11 authorized by this act, including:

12 (A) Loans, loans convertible to equity, and equity;

13 (B) leaseholds;

14 (C) management or consultant service agreements;

15 (D) loans with warrants attached that are beneficially owned by the  
16 fund;

17 (E) loans with warrants attached that are beneficially owned by a  
18 party other than the fund; and

19 (F) the fund, in connection with the provision of any form of financial  
20 assistance, may enter into royalty agreements with an enterprise.

21 (2) To invest in such other investments as are lawful for Kansas  
22 fiduciaries pursuant to K.S.A. 58-24a02, and amendments thereto.

23 (c) Distributions received by the corporation may be reinvested in any  
24 fund consistent with the purposes of this act.

25 (d) The secretary may invest only in a fund whose investment  
26 guidelines permit the fund's purchase of qualified securities issued by an  
27 enterprise as a part of a resource and technology project subject to the  
28 following:

29 (1) Receipt of an application from the enterprise which contains:

30 (A) A business plan including a description of the enterprise and its  
31 management, product and market;

32 (B) a statement of the amount, timing and projected use of the capital  
33 required;

34 (C) a statement of the potential economic impact of the enterprise,  
35 including the number, location and types of jobs expected to be created;  
36 and

37 (D) such other information as the fund manager or the fund's board of  
38 directors shall request.

39 (2) Approval of the investment by the fund may be made after the  
40 fund manager or the fund's board of directors finds, based upon the  
41 application submitted by the enterprise and such additional investigation as  
42 the fund manager or the fund's board of directors shall make and  
43 incorporate in its minutes, that:

1 (A) The proceeds of the investment will be used only to cover the  
2 venture-capital needs of the enterprise except as authorized by this section;

3 (B) the enterprise has a reasonable possibility of success;

4 (C) the fund's participation is instrumental to the success of the  
5 enterprise because funding otherwise available for the enterprise is not  
6 available on commercially feasible terms;

7 (D) the enterprise has the reasonable potential to create a substantial  
8 amount of employment within the state;

9 (E) the entrepreneur and other founders of the enterprise have already  
10 made or are contractually committed to make a substantial financial and  
11 time commitment to the enterprise;

12 (F) the securities to be purchased are qualified securities;

13 (G) there is a reasonable possibility that the fund will recoup at least  
14 its initial investment; and

15 (H) binding commitments have been made to the fund by the  
16 enterprise for adequate reporting of financial data to the fund, which shall  
17 include a requirement for an annual report, or if required by the fund  
18 manager, an annual audit of the financial and operational records of the  
19 enterprise, and for such control on the part of the fund as the fund manager  
20 shall consider prudent over the management of the enterprise, so as to  
21 protect the investment of the fund, including in the discretion of the fund  
22 manager and without limitation, the right of access to financial and other  
23 records of the enterprise.

24 (e) All investments made pursuant to this section shall be evaluated  
25 by the fund's investment committee and the fund shall be audited annually  
26 by an independent auditing firm.

27 (f) The fund shall not make investments in qualified securities issued  
28 by enterprises in excess of the amount necessary to own more than 49% of  
29 the qualified securities in any one enterprise at the time of the purchase by  
30 the fund, after giving effect to the conversion of all outstanding convertible  
31 qualified securities of the enterprise, except that in the event of severe  
32 financial difficulty of the enterprise, threatening, in the judgment of the  
33 fund manager, the investment of the fund therein, a greater percentage of  
34 such securities may be owned by the fund.

35 (g) At least 75% of the total investment of the fund must be in Kansas  
36 businesses.

37 ~~(h) For tax year 2013 and all tax years thereafter~~ *all taxable years*  
38 *beginning after December 31, 2012, and ending before January 1, 2018,*  
39 the income tax credit provided by this section shall only be available to  
40 taxpayers subject to the income tax on corporations imposed pursuant to  
41 ~~subsection (c) of K.S.A. 79-32,110(c),~~ and amendments thereto, and shall  
42 be applied only against such taxpayer's corporate income tax liability.

43 Sec. 8. K.S.A. 2016 Supp. 74-8401 is hereby amended to read as



1 follows: 74-8401. (a) There shall be allowed as a credit against the tax  
2 imposed by the Kansas income tax act on the Kansas taxable income of a  
3 taxpayer and against the tax imposed by K.S.A. 40-252, and amendments  
4 thereto, on insurance companies for cash investment in a certified local  
5 seed capital pool an amount equal to 25% of such taxpayer's cash  
6 investment in any such pool in the taxable year in which such investment  
7 is made and the taxable years following such taxable year until the total  
8 amount of the credit is used. The amount by which that portion of the  
9 credit allowed by this section exceeds the taxpayer's liability in any one  
10 taxable year may be carried forward until the total amount of the credit is  
11 used. If the taxpayer is a corporation having an election in effect under  
12 subchapter S of the federal internal revenue code or a partnership, the  
13 credit provided by this section shall be claimed by the shareholders of such  
14 corporation or the partners of such partnership in the same manner as such  
15 shareholders or partners account for their proportionate shares of the  
16 income or loss of the corporation or partnership.

17 (b) The total amount of credits allowable pursuant to this section and  
18 credits allowable pursuant to K.S.A. 74-8205, 74-8206 and 74-8304, and  
19 amendments thereto, shall be attributable to not more than \$50,000,000 of  
20 cash investments in Kansas venture capital companies, Kansas venture  
21 capital, inc. and local seed capital pools. With respect to the additional  
22 amount of cash investments made eligible for tax credits by this act,  
23 \$10,000,000 of such amount shall be dedicated and reserved until  
24 December 31, 1990, for cash investments in a seed capital fund or funds in  
25 which the department of commerce is an investor. The \$50,000,000  
26 amount of cash investments now eligible for the tax credits allowed  
27 pursuant to this section and K.S.A. 74-8205, 74-8206 and 74-8304, and  
28 amendments thereto, shall be reduced to the extent that the total amount of  
29 cash investments received by such seed capital fund or funds before  
30 January 1, 1991, is less than \$10,000,000. However, any such credits  
31 which were not claimed for investments made prior to January 1, 1991,  
32 may be allowed to a taxpayer for cash investment made in Kansas venture  
33 capital, inc. pursuant to K.S.A. 74-8205 and 74-8206, and amendments  
34 thereto, not to exceed \$2,595,236 of the \$10,000,000 reserved under this  
35 subsection for investment in seed capital funds in which the department of  
36 commerce was an investor. A taxpayer may also be allowed a credit for  
37 cash investment made pursuant to K.S.A. 74-8304, and amendments  
38 thereto, not to exceed \$6,012,345 of the \$10,000,000 reserved under this  
39 subsection if such taxpayer first purchases the entire interest of the  
40 department of commerce in Kansas venture capital companies established  
41 prior to January 1, 1991. However, no credit shall be allowed for cash  
42 investment which results in the purchase of the interest of the Kansas  
43 technology enterprise corporation or its subsidiaries in Kansas venture

1 capital companies established prior to January 1, 1991.

2 (c) As used in this section; (1) "Local seed capital pool" means  
3 money invested in a fund established to provide funding for use by small  
4 businesses for any one or more of the following purposes: (A)  
5 Development of a prototype product or process; (B) a marketing study to  
6 determine the feasibility of a new product or process; or (C) a business  
7 plan for the development and production of a new product or process; and

8 (2) "Kansas business" means any small business owned by an  
9 individual, any partnership, association or corporation domiciled in  
10 Kansas, or any corporation, even if a wholly owned subsidiary of a foreign  
11 corporation, that does business primarily in Kansas or does substantially  
12 all of its production in Kansas.

13 (d) No credit from income tax liability shall be allowed for cash  
14 investment in a local seed capital pool unless: (1) The amount of private  
15 cash investment therein is \$200,000 or more; (2) the moneys necessary to  
16 administer and operate the pool are funded from sources other than the  
17 private and public cash investments; and (3) funds invested by the local  
18 seed capital pool shall be invested at 100% in Kansas businesses.

19 (e) Public funds may be invested in a local seed capital pool except  
20 that each dollar of public funds, other than that which may be used to  
21 administer and operate a pool, shall be matched by not less than \$2 of  
22 private cash investment. Public funds shall have a senior position to any  
23 private cash investment and may receive a lower rate of return than that  
24 allowable for a private cash investment.

25 (f) The provisions of this section, and amendments thereto, shall be  
26 applicable to all taxable years commencing after December 31, 1986.

27 (g) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*  
28 *beginning after December 31, 2012, and ending before January 1, 2018,*  
29 the income tax credit provided by this section shall only be available to  
30 taxpayers subject to the income tax on corporations imposed pursuant to  
31 ~~subsection (e) of K.S.A. 79-32,110(c)~~, and amendments thereto, and shall  
32 be applied only against such taxpayer's corporate income tax liability.

33 Sec. 9. K.S.A. 2016 Supp. 79-32,110 is hereby amended to read as  
34 follows: 79-32,110. (a) *Resident Individuals*. Except as otherwise provided  
35 by K.S.A. 79-3220(a), and amendments thereto, a tax is hereby imposed  
36 upon the Kansas taxable income of every resident individual, which tax  
37 shall be computed in accordance with the following tax schedules:

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

39 (A) For tax year 2012:

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

1	Over \$60,000.....	\$2,925 plus 6.45% of excess
2		over \$60,000
3	(B) For tax year 2013:	
4	If the taxable income is:	The tax is:
5	Not over \$30,000.....	3.0% of Kansas taxable income
6	Over \$30,000.....	\$900 plus 4.9% of excess over
7		\$30,000
8	(C) For tax year 2014:	
9	If the taxable income is:	The tax is:
10	Not over \$30,000.....	2.7% of Kansas taxable income
11	Over \$30,000.....	\$810 plus 4.8% of excess over
12		\$30,000
13	(D) For tax years 2015, 2016 and 2017:	
14	If the taxable income is:	The tax is:
15	Not over \$30,000.....	2.7% of Kansas taxable income
16	Over \$30,000.....	\$810 plus 4.6% of excess over
17		\$30,000
18	(E) For tax year 2018, and all tax years thereafter:	
19	If the taxable income is:	The tax is:
20	Not over \$30,000.....	2.6% of Kansas taxable income
21	Over \$30,000 <i>but not over \$80,000</i> .....	\$780 plus 4.6% of excess over
22		\$30,000
23	<i>Over \$80,000</i> .....	<i>\$4,005 plus 6.45% of excess</i>
24		<i>over \$80,000</i>
25		
26	(2) <i>All other individuals.</i>	
27	(A) For tax year 2012:	
28	If the taxable income is:	The tax is:
29	Not over \$15,000.....	3.5% of Kansas taxable income
30	Over \$15,000 but not over \$30,000.....	\$525 plus 6.25% of excess
31		over \$15,000
32	Over \$30,000.....	\$1,462.50 plus 6.45% of excess
33		over \$30,000
34	(B) For tax year 2013:	
35	If the taxable income is:	The tax is:
36	Not over \$15,000.....	3.0% of Kansas taxable income
37	Over \$15,000.....	\$450 plus 4.9% of excess over
38		\$15,000
39	(C) For tax year 2014:	
40	If the taxable income is:	The tax is:
41	Not over \$15,000.....	2.7% of Kansas taxable income
42	Over \$15,000.....	\$405 plus 4.8% of excess over
43		\$15,000

1 (D) For tax years 2015, 2016 and 2017:  
 2 If the taxable income is: The tax is:  
 3 Not over \$15,000.....2.7% of Kansas taxable income  
 4 Over \$15,000.....\$405 plus 4.6% of excess over  
 5 \$15,000

6 (E) For tax year 2018, and all tax years thereafter:  
 7 If the taxable income is: The tax is:  
 8 Not over \$15,000.....2.6% of Kansas taxable income  
 9 Over \$15,000 *but not over \$40,000*.....\$390 plus 4.6% of excess over  
 10 \$15,000  
 11 *Over \$40,000*.....*\$2,002.50 plus 6.45% of excess*  
 12 *over \$40,000*

13  
 14 (b) *Nonresident Individuals.* A tax is hereby imposed upon the Kansas  
 15 taxable income of every nonresident individual, which tax shall be an  
 16 amount equal to the tax computed under subsection (a) as if the  
 17 nonresident were a resident multiplied by the ratio of modified Kansas  
 18 source income to Kansas adjusted gross income.

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

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

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

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

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

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

37 (e) ~~Tax rates provided in this section shall be adjusted pursuant to the~~  
 38 ~~provisions of K.S.A. 2016 Supp. 79-32,269, and amendments thereto.~~

39 (f) ~~Notwithstanding the provisions of subsections (a) and (b), for tax~~  
 40 ~~year 2016, and all tax years thereafter, married individuals filing joint~~  
 41 ~~returns with taxable income of \$12,500 or less, and all other individuals~~  
 42 ~~with taxable income of \$5,000 or less, shall have a tax liability of zero.~~

43 Sec. 10. K.S.A. 2016 Supp. 79-32,117 is hereby amended to read as

1 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual  
2 means such individual's federal adjusted gross income for the taxable year,  
3 with the modifications specified in this section.

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

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

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

25 (iii) The federal net operating loss deduction.

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

41 (v) The amount of any depreciation deduction or business expense  
42 deduction claimed on the taxpayer's federal income tax return for any  
43 capital expenditure in making any building or facility accessible to the

1   handicapped, for which expenditure the taxpayer claimed the credit  
2   allowed by K.S.A. 79-32,177, and amendments thereto.

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

6       (vii) The amount of any charitable contribution made to the extent the  
7   same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-  
8   32,196, and amendments thereto.

9       (viii) The amount of any costs incurred for improvements to a swine  
10   facility, claimed for deduction in determining federal adjusted gross  
11   income, to the extent the same is claimed as the basis for any credit  
12   allowed pursuant to K.S.A. 2016 Supp. 79-32,204, and amendments  
13   thereto.

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

20       (x) Amounts received as nonqualified withdrawals, as defined by  
21   K.S.A. 2016 Supp. 75-643, and amendments thereto, if, at the time of  
22   contribution to a family postsecondary education savings account, such  
23   amounts were subtracted from the federal adjusted gross income pursuant  
24   to K.S.A. 79-32,117(c)(xv), and amendments thereto, or if such amounts  
25   are not already included in the federal adjusted gross income.

26       (xi) The amount of any contribution made to the same extent the  
27   same is claimed as the basis for the credit allowed pursuant to K.S.A. 2016  
28   Supp. 74-50,154, and amendments thereto.

29       (xii) For taxable years commencing after December 31, 2004,  
30   amounts received as withdrawals not in accordance with the provisions of  
31   K.S.A. 2016 Supp. 74-50,204, and amendments thereto, if, at the time of  
32   contribution to an individual development account, such amounts were  
33   subtracted from the federal adjusted gross income pursuant to subsection  
34   (c)(xiii), or if such amounts are not already included in the federal adjusted  
35   gross income.

36       (xiii) The amount of any expenditures claimed for deduction in  
37   determining federal adjusted gross income, to the extent the same is  
38   claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.  
39   79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

40       (xiv) The amount of any amortization deduction claimed in  
41   determining federal adjusted gross income to the extent the same is  
42   claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,221, and  
43   amendments thereto.

1 (xv) The amount of any expenditures claimed for deduction in  
2 determining federal adjusted gross income, to the extent the same is  
3 claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.  
4 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233  
5 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-  
6 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

7 (xvi) The amount of any amortization deduction claimed in  
8 determining federal adjusted gross income to the extent the same is  
9 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,227, 79-  
10 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments  
11 thereto.

12 (xvii) The amount of any amortization deduction claimed in  
13 determining federal adjusted gross income to the extent the same is  
14 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,256, and  
15 amendments thereto.

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

26 (xix) For ~~all~~ taxable years beginning after December 31, 2012, *and*  
27 *ending before January 1, 2018*, the amount of any: (1) Loss from business  
28 as determined under the federal internal revenue code and reported from  
29 schedule C and on line 12 of the taxpayer's form 1040 federal individual  
30 income tax return; (2) loss from rental real estate, royalties, partnerships, S  
31 corporations, except those with wholly owned subsidiaries subject to the  
32 Kansas privilege tax, estates, trusts, residual interest in real estate  
33 mortgage investment conduits and net farm rental as determined under the  
34 federal internal revenue code and reported from schedule E and on line 17  
35 of the taxpayer's form 1040 federal individual income tax return; and (3)  
36 farm loss as determined under the federal internal revenue code and  
37 reported from schedule F and on line 18 of the taxpayer's form 1040  
38 federal income tax return; all to the extent deducted or subtracted in  
39 determining the taxpayer's federal adjusted gross income. For purposes of  
40 this subsection, references to the federal form 1040 and federal schedule  
41 C, schedule E, and schedule F, shall be to such form and schedules as they  
42 existed for tax year 2011, and as revised thereafter by the internal revenue  
43 service.

1 (xx) For ~~all~~ taxable years beginning after December 31, 2012, *and*  
2 *ending before January 1, 2018*, the amount of any deduction for self-  
3 employment taxes under section 164(f) of the federal internal revenue  
4 code as in effect on January 1, 2012, and amendments thereto, in  
5 determining the federal adjusted gross income of an individual taxpayer, to  
6 the extent the deduction is attributable to income reported on schedule C,  
7 E or F and on line 12, 17 or 18 of the taxpayer's form 1040 federal income  
8 tax return.

9 (xxi) For ~~all~~ taxable years beginning after December 31, 2012, *and*  
10 *ending before January 1, 2018*, the amount of any deduction for pension,  
11 profit sharing, and annuity plans of self-employed individuals under  
12 section 62(a)(6) of the federal internal revenue code as in effect on January  
13 1, 2012, and amendments thereto, in determining the federal adjusted gross  
14 income of an individual taxpayer.

15 (xxii) For ~~all~~ taxable years beginning after December 31, 2012, *and*  
16 *ending before January 1, 2018*, the amount of any deduction for health  
17 insurance under section 162(l) of the federal internal revenue code as in  
18 effect on January 1, 2012, and amendments thereto, in determining the  
19 federal adjusted gross income of an individual taxpayer.

20 (xxiii) For ~~all~~ taxable years beginning after December 31, 2012, *and*  
21 *ending before January 1, 2018*, the amount of any deduction for domestic  
22 production activities under section 199 of the federal internal revenue code  
23 as in effect on January 1, 2012, and amendments thereto, in determining  
24 the federal adjusted gross income of an individual taxpayer.

25 (xxiv) For taxable years commencing after December 31, 2013, that  
26 portion of the amount of any expenditure deduction claimed in  
27 determining federal adjusted gross income for expenses paid for medical  
28 care of the taxpayer or the taxpayer's spouse or dependents when such  
29 expenses were paid or incurred for an abortion, or for a health benefit plan,  
30 as defined in K.S.A. 2016 Supp. 65-6731, and amendments thereto, for the  
31 purchase of an optional rider for coverage of abortion in accordance with  
32 K.S.A. 2016 Supp. 40-2,190, and amendments thereto, to the extent that  
33 such taxes and assessments are claimed as an itemized deduction for  
34 federal income tax purposes.

35 (xxv) For taxable years commencing after December 31, 2013, that  
36 portion of the amount of any expenditure deduction claimed in  
37 determining federal adjusted gross income for expenses paid by a taxpayer  
38 for health care when such expenses were paid or incurred for abortion  
39 coverage, a health benefit plan, as defined in K.S.A. 2016 Supp. 65-6731,  
40 and amendments thereto, when such expenses were paid or incurred for  
41 abortion coverage or amounts contributed to health savings accounts for  
42 such taxpayer's employees for the purchase of an optional rider for  
43 coverage of abortion in accordance with K.S.A. 2016 Supp. 40-2,190, and



1 amendments thereto, to the extent that such taxes and assessments are  
2 claimed as a deduction for federal income tax purposes.

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

4 (i) Interest or dividend income on obligations or securities of any  
5 authority, commission or instrumentality of the United States and its  
6 possessions less any related expenses directly incurred in the purchase of  
7 such obligations or securities, to the extent included in federal adjusted  
8 gross income but exempt from state income taxes under the laws of the  
9 United States.

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

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

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

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

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

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

40 (viii) Amounts received by retired railroad employees as a  
41 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and  
42 228c (a)(1) et seq.

43 (ix) Amounts received by retired employees of a city and by retired

1 employees of any board of such city as retirement allowances pursuant to  
2 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter  
3 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and  
4 amendments thereto.

5 (x) For taxable years beginning after December 31, 1976, the amount  
6 of the federal tentative jobs tax credit disallowance under the provisions of  
7 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the  
8 amount of the targeted jobs tax credit and work incentive credit  
9 disallowances under 26 U.S.C. § 280 C.

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

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

16 (xiii) For taxable years beginning after December 31, 2004, amounts  
17 contributed to and the amount of income earned on contributions deposited  
18 to an individual development account under K.S.A. 2016 Supp. 74-50,201  
19 et seq., and amendments thereto.

20 (xiv) For all taxable years commencing after December 31, 1996, that  
21 portion of any income of a bank organized under the laws of this state or  
22 any other state, a national banking association organized under the laws of  
23 the United States, an association organized under the savings and loan  
24 code of this state or any other state, or a federal savings association  
25 organized under the laws of the United States, for which an election as an  
26 S corporation under subchapter S of the federal internal revenue code is in  
27 effect, which accrues to the taxpayer who is a stockholder of such  
28 corporation and which is not distributed to the stockholders as dividends of  
29 the corporation. For ~~all~~ taxable years beginning after December 31, 2012,  
30 *and ending before January 1, 2018*, the amount of modification under this  
31 subsection shall exclude the portion of income or loss reported on schedule  
32 E and included on line 17 of the taxpayer's form 1040 federal individual  
33 income tax return.

34 (xv) For all taxable years beginning after December 31, 2006,  
35 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a  
36 joint return, for each designated beneficiary which are contributed to a  
37 family postsecondary education savings account established under the  
38 Kansas postsecondary education savings program or a qualified tuition  
39 program established and maintained by another state or agency or  
40 instrumentality thereof pursuant to section 529 of the internal revenue  
41 code of 1986, as amended, for the purpose of paying the qualified higher  
42 education expenses of a designated beneficiary at an institution of  
43 postsecondary education. The terms and phrases used in this paragraph

1 shall have the meaning respectively ascribed thereto by the provisions of  
2 K.S.A. 2016 Supp. 75-643, and amendments thereto, and the provisions of  
3 such section are hereby incorporated by reference for all purposes thereof.

4 (xvi) For all taxable years beginning after December 31, 2004,  
5 amounts received by taxpayers who are or were members of the armed  
6 forces of the United States, including service in the Kansas army and air  
7 national guard, as a recruitment, sign up or retention bonus received by  
8 such taxpayer as an incentive to join, enlist or remain in the armed services  
9 of the United States, including service in the Kansas army and air national  
10 guard, and amounts received for repayment of educational or student loans  
11 incurred by or obligated to such taxpayer and received by such taxpayer as  
12 a result of such taxpayer's service in the armed forces of the United States,  
13 including service in the Kansas army and air national guard.

14 (xvii) For all taxable years beginning after December 31, 2004,  
15 amounts received by taxpayers who are eligible members of the Kansas  
16 army and air national guard as a reimbursement pursuant to K.S.A. 48-  
17 281, and amendments thereto, and amounts received for death benefits  
18 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section  
19 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and  
20 amendments thereto, to the extent that such death benefits are included in  
21 federal adjusted gross income of the taxpayer.

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

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

35 (xx) For ~~all~~ taxable years beginning after December 31, 2012, *and*  
36 *ending before January 1, 2018*, the amount of any: (1) Net profit from  
37 business as determined under the federal internal revenue code and  
38 reported from schedule C and on line 12 of the taxpayer's form 1040  
39 federal individual income tax return; (2) net income, not including  
40 guaranteed payments as defined in section 707(c) of the federal internal  
41 revenue code and as reported to the taxpayer from federal schedule K-1,  
42 (form 1065-B), in box 9, code F or as reported to the taxpayer from federal  
43 schedule K-1, (form 1065) in box 4, from rental real estate, royalties,

1 partnerships, S corporations, estates, trusts, residual interest in real estate  
2 mortgage investment conduits and net farm rental as determined under the  
3 federal internal revenue code and reported from schedule E and on line 17  
4 of the taxpayer's form 1040 federal individual income tax return; and (3)  
5 net farm profit as determined under the federal internal revenue code and  
6 reported from schedule F and on line 18 of the taxpayer's form 1040  
7 federal income tax return; all to the extent included in the taxpayer's  
8 federal adjusted gross income. For purposes of this subsection, references  
9 to the federal form 1040 and federal schedule C, schedule E, and schedule  
10 F, shall be to such form and schedules as they existed for tax year 2011  
11 and as revised thereafter by the internal revenue service.

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

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

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

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

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

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

13 Sec. 11. K.S.A. 2016 Supp. 79-32,182b is hereby amended to read as  
14 follows: 79-32,182b. (a) For all taxable years commencing after December  
15 31, 2000, a credit shall be allowed against the tax imposed by the Kansas  
16 income tax act on the Kansas taxable income of a taxpayer for  
17 expenditures in research and development activities conducted within this  
18 state in an amount equal to 6<sup>1</sup>/<sub>2</sub>% of the amount by which the amount  
19 expended for such activities in the taxable year of the taxpayer exceeds the  
20 taxpayer's average of the actual expenditures for such purposes made in  
21 such taxable year and the next preceding two taxable years.

22 (b) In any one taxable year, the amount of such credit allowable for  
23 deduction from the taxpayer's tax liability shall not exceed 25% of the total  
24 amount of such credit plus any applicable carry forward amount. The  
25 amount by which that portion of the credit allowed by subsections (a) and  
26 (b) to be claimed in any one taxable year exceeds the taxpayer's tax  
27 liability in such year may be carried forward until the total amount of the  
28 credit is used.

29 (c) As used in this section, the term "expenditures in research and  
30 development activities" means expenditures made for such purposes, other  
31 than expenditures of moneys made available to the taxpayer pursuant to  
32 federal or state law, which are treated as expenses allowable for deduction  
33 under the provisions of the federal internal revenue code of 1986, as  
34 amended, except that for taxable years commencing after December 31,  
35 2013, expenditures in research and development activities shall not include  
36 any expenditures for the performance of any abortion, as defined in K.S.A.  
37 65-6701, and amendments thereto.

38 ~~(d) For tax year 2013 and all tax years thereafter~~ *all taxable years*  
39 *beginning after December 31, 2012, and ending before January 1, 2018,*  
40 the income tax credit provided by this section shall only be available to  
41 taxpayers subject to the income tax on corporations imposed pursuant to  
42 ~~subsection (c) of K.S.A. 79-32,110(c),~~ and amendments thereto, and shall  
43 be applied only against such taxpayer's corporate income tax liability.

1       Sec. 12. K.S.A. 2016 Supp. 79-32,190 is hereby amended to read as  
2 follows: 79-32,190. (a) Any taxpayer that pays for or provides child day  
3 care services, including the provision of the service of locating such  
4 services, to its employees or that provides facilities and necessary  
5 equipment for child day care services shall be allowed a credit against the  
6 privilege or income tax imposed by articles 11 and 32 of chapter 79 of the  
7 Kansas Statutes Annotated, *and amendments thereto*, as follows:

8       (1) Thirty percent of the total amount expended in the state during the  
9 taxable year by a taxpayer for child day care services purchased to provide  
10 care for the dependent children of the taxpayer's employees or for the  
11 provision of the service of locating such services for such children;

12       (2) (A) in the taxable year in which a facility providing child day care  
13 services in the state for use primarily by the dependent children of the  
14 taxpayer's employees is established, 50% of the total amount expended  
15 during such year by a taxpayer in the establishment and operation of such  
16 facility;

17       (B) in the taxable years other than the taxable year to which  
18 paragraph (2)(A) applies, 30% of the amount equal to the total amount  
19 expended during the taxable year by a taxpayer for the operation of a  
20 facility described in paragraph (2)(A) less the amount of moneys received  
21 by the taxpayer for use of such facility for child day care services;

22       (3) (A) in the taxable year in which a facility providing child day care  
23 services in the state for use primarily by the dependent children of the  
24 taxpayers' employees is established in conjunction with one or more other  
25 taxpayers, 50% of the total amount expended during such year by a  
26 taxpayer in the establishment and operation of such facility;

27       (B) in the taxable years other than the taxable year to which  
28 paragraph (3)(A) applies, 30% of the amount equal to the total amount  
29 expended during the taxable year by a taxpayer for the operation of a  
30 facility described in paragraph (3)(A) less the amount of moneys received  
31 by the taxpayer for use of such facility for child day care services.

32       (b) No credit shall be allowed under this section unless the child day  
33 care facility or provider is licensed or registered pursuant to Kansas law.

34       (c) The credit allowed by ~~paragraphs (1), (2)(B) and (3)(B) of~~  
35 subsection (a)(1), (a)(2)(B) and (a)(3)(B) shall not exceed \$30,000 for any  
36 taxpayer during any taxable year. The credit allowed by ~~paragraphs (2)(A)~~  
37 ~~and (3)(A) of~~ subsection (a)(2)(A) and (a)(3)(A) shall not exceed \$45,000  
38 for any taxpayer during any taxable year. The amount of the credit which  
39 exceeds the tax liability for a taxable year shall be refunded to the  
40 taxpayer. If the taxpayer is a corporation having an election in effect under  
41 subchapter S of the federal internal revenue code or a partnership, the  
42 credit provided by this section shall be claimed by the shareholders of such  
43 corporation or the partners of such partnership in the same manner as such

1 shareholders or partners account for their proportionate shares of the  
2 income or loss of the corporation or partnership.

3 (d) The aggregate amount of credits claimed under this act for any  
4 fiscal year shall not exceed \$3,000,000.

5 ~~(e) For tax year 2013 and all tax years thereafter~~ *all taxable years*  
6 *beginning after December 31, 2012, and ending before January 1, 2018,*  
7 the income tax credit provided by this section shall only be available to  
8 taxpayers subject to the income tax on corporations imposed pursuant to  
9 ~~subsection (e) of K.S.A. 79-32,110(c)~~, and amendments thereto, and shall  
10 be applied only against such taxpayer's corporate income tax liability.

11 Sec. 13. K.S.A. 2016 Supp. 79-32,200 is hereby amended to read as  
12 follows: 79-32,200. (a) There shall be allowed as a credit against the tax  
13 liability imposed under the Kansas income tax act of a person who has  
14 entered into an agreement with the secretary for children and families  
15 under K.S.A. 39-7,132, and amendments thereto, an amount equal to 70%  
16 of the amount of financial assistance paid by such person under K.S.A. 39-  
17 7,132, and amendments thereto, as certified by the secretary for children  
18 and families, of not to exceed the amount of financial assistance which  
19 would have been paid under the aid to families with dependent children  
20 program from state matching contributions, as certified by the secretary for  
21 children and families, if such person had not agreed to assume some  
22 financial support.

23 (b) An individual may not claim a tax credit under this section if a  
24 credit for child care and dependent care expenses was claimed on either  
25 the state or federal tax return, or if the individual receives payment for care  
26 of the person provided financial assistance.

27 (c) The credit allowed by this section shall not exceed the amount of  
28 tax imposed under the Kansas income tax act reduced by the sum of any  
29 other credits allowable pursuant to law.

30 (d) The provisions of this section shall be applicable to all taxable  
31 years commencing after December 31, 1993.

32 ~~(e) For tax year 2014 and all tax years thereafter~~ *all taxable years*  
33 *beginning after December 31, 2013, and ending before January 1, 2018,*  
34 the income tax credit provided by this section shall only be available to  
35 taxpayers subject to the income tax on corporations imposed pursuant to  
36 ~~subsection (e) of K.S.A. 79-32,110(c)~~, and amendments thereto, and shall  
37 be applied only against such taxpayer's corporate income tax liability.

38 Sec. 14. K.S.A. 2016 Supp. 79-32,201 is hereby amended to read as  
39 follows: 79-32,201. (a) Any taxpayer who makes expenditures for a  
40 qualified alternative-fueled motor vehicle or alternative-fuel fueling station  
41 shall be allowed a credit against the income tax imposed by article 32 of  
42 chapter 79 of the Kansas Statutes Annotated, *and amendments thereto*, as  
43 follows:

1 (1) For any qualified alternative-fueled motor vehicle placed in  
2 service on or after January 1, 1996, and before January 1, 2005, an amount  
3 equal to 50% of the incremental cost or conversion cost for each qualified  
4 alternative-fueled motor vehicle but not to exceed \$3,000 for each such  
5 motor vehicle with a gross vehicle weight of less than 10,000 lbs.; \$5,000  
6 for a heavy duty motor vehicle with a gross vehicle weight of greater than  
7 10,000 lbs. but less than 26,000 lbs.; and \$50,000 for motor vehicles  
8 having a gross vehicle weight of greater than 26,000 lbs.;

9 (2) for any qualified alternative-fueled motor vehicle placed in  
10 service on or after January 1, 2005, an amount equal to 40% of the  
11 incremental cost or conversion cost for each qualified alternative-fueled  
12 motor vehicle, but not to exceed \$2,400 for each such motor vehicle with a  
13 gross vehicle weight of less than 10,000 lbs.; \$4,000 for a heavy duty  
14 motor vehicle with a gross vehicle weight of greater than 10,000 lbs. but  
15 less than 26,000 lbs.; and \$40,000 for motor vehicles having a gross  
16 vehicle weight of greater than 26,000 lbs.;

17 (3) for any qualified alternative-fuel fueling station placed in service  
18 on or after January 1, 1996, and before January 1, 2005, an amount equal  
19 to 50% of the total amount expended for each qualified alternative-fuel  
20 fueling station but not to exceed \$200,000 for each fueling station;

21 (4) for any qualified alternative-fuel fueling station placed in service  
22 on or after January 1, 2005, and before January 1, 2009, an amount equal  
23 to 40% of the total amount expended for each qualified alternative-fuel  
24 fueling station, but not to exceed \$160,000 for each fueling station; *and*

25 (5) for any qualified alternative-fuel fueling station placed in service  
26 on or after January 1, 2009, an amount equal to 40% of the total amount  
27 expended for each qualified alternative-fuel fueling station, but not to  
28 exceed \$100,000 for each fueling station.

29 (b) If no credit has been claimed pursuant to subsection (a), a credit in  
30 an amount not exceeding the lesser of 5% of the cost of the vehicle or  
31 \$750 shall be allowed to a taxpayer who purchases a motor vehicle  
32 equipped by the vehicle manufacturer with an alternative fuel system and  
33 who is unable or elects not to determine the exact basis attributable to such  
34 property. The credit under this subsection shall be allowed only to the first  
35 individual to take title to such motor vehicle, other than for resale. The  
36 credit under this subsection for motor vehicles which are capable of  
37 operating on a blend of 85% ethanol and 15% gasoline shall be allowed for  
38 taxable years commencing after December 31, 1999, only if the individual  
39 claiming the credit furnishes evidence of the purchase, during the period of  
40 time beginning with the date of purchase of such vehicle and ending on  
41 December 31 of the next succeeding calendar year, of 500 gallons of such  
42 ethanol and gasoline blend as may be required or is satisfactory to the  
43 secretary of revenue.



1 (c) The tax credit under subsection (a)(1) through (a)(4) or (b) shall  
2 be deducted from the taxpayer's income tax liability for the taxable year in  
3 which the expenditures are made by the taxpayer. If the amount of the tax  
4 credit exceeds the taxpayer's income tax liability for the taxable year, the  
5 amount which exceeds the tax liability may be carried over for deduction  
6 from the taxpayer's income tax liability in the next succeeding taxable year  
7 or years until the total amount of the tax credit has been deducted from tax  
8 liability, except that no such tax credit shall be carried over for deduction  
9 after the third taxable year succeeding the taxable year in which the  
10 expenditures are made.

11 (d) The tax credit under subsection (a)(5) shall be deducted from the  
12 taxpayer's income tax liability for the taxable year in which the  
13 expenditures are made by the taxpayer. If the amount of the tax credit  
14 exceeds the taxpayer's income tax liability for the taxable year, the amount  
15 which exceeds the tax liability may be carried over for deduction from the  
16 taxpayer's income tax liability in the next succeeding taxable year or years  
17 until the total amount of the tax credit has been deducted from tax liability,  
18 except that no such tax credit shall be carried over for deduction after the  
19 fourth taxable year in which the expenditures are made.

20 (e) As used in this section:

21 (1) "Alternative fuel" means a combustible liquid derived from grain  
22 starch, oil seed, animal fat or other biomass; or produced from biogas  
23 source, including any nonfossilized, decaying, organic matter.

24 (2) "Qualified alternative-fueled motor vehicle" means a motor  
25 vehicle that operates on an alternative fuel, meets or exceeds the clean fuel  
26 vehicle standards in the federal clean air act amendments of 1990, Title II  
27 and meets one of the following categories:

28 (A) Bi-fuel motor vehicle: A motor vehicle with two separate fuel  
29 systems designed to run on either an alternative fuel or conventional fuel,  
30 using only one fuel at a time;

31 (B) dedicated motor vehicle: A motor vehicle with an engine designed  
32 to operate on a single alternative fuel only; or

33 (C) flexible fuel motor vehicle: A motor vehicle that may operate on a  
34 blend of an alternative fuel with a conventional fuel, such as E-85 (85%  
35 ethanol and 15% gasoline) or M-85 (85% methanol and 15% gasoline), as  
36 long as such motor vehicle is capable of operating on at least an 85%  
37 alternative fuel blend.

38 (3) "Qualified alternative-fuel fueling station" means the property  
39 which is directly related to the delivery of alternative fuel into the fuel tank  
40 of a motor vehicle propelled by such fuel, including the compression  
41 equipment, storage vessels and dispensers for such fuel at the point where  
42 such fuel is delivered but only if such property is primarily used to deliver  
43 such fuel for use in a qualified alternative-fueled motor vehicle.

1 (4) "Incremental cost" means the cost that results from subtracting the  
2 manufacturer's list price of the motor vehicle operating on conventional  
3 gasoline or diesel fuel from the manufacturer's list price of the same model  
4 motor vehicle designed to operate on an alternative fuel.

5 (5) "Conversion cost" means the cost that results from modifying a  
6 motor vehicle which is propelled by gasoline or diesel to be propelled by  
7 an alternative fuel.

8 (6) "Taxpayer" means any person who owns and operates a qualified  
9 alternative-fueled vehicle licensed in the state of Kansas or who makes an  
10 expenditure for a qualified alternative-fuel fueling station.

11 (7) "Person" means every natural person, association, partnership,  
12 limited liability company, limited partnership or corporation.

13 (f) Except as otherwise more specifically provided, the provisions of  
14 this section shall apply to all taxable years commencing after December  
15 31, 1995.

16 (g) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*  
17 *beginning after December 31, 2012, and ending before January 1, 2018,*  
18 *the income tax credit provided by this section shall only be available to*  
19 *taxpayers subject to the income tax on corporations imposed pursuant to*  
20 ~~subsection (e) of K.S.A. 79-32,110(c)~~, and amendments thereto, and shall  
21 be applied only against such taxpayer's corporate income tax liability.

22 Sec. 15. K.S.A. 2016 Supp. 79-32,204 is hereby amended to read as  
23 follows: 79-32,204. (a) As used in this section:

24 (1) Terms have the meanings provided by K.S.A. 65-1,178, and  
25 amendments thereto;

26 (2) "qualified swine facility" means a swine facility that: (A) Is  
27 owned and operated by a sole proprietorship or partnership or by a family  
28 farm corporation, authorized farm corporation, limited liability agricultural  
29 company, family farm limited liability agricultural company, limited  
30 agricultural partnership, family trust, authorized trust or testamentary trust,  
31 as defined by K.S.A. 17-5903, and amendments thereto; and (B) is  
32 utilizing its swine waste management system on January 1, 1998; and

33 (3) "required improvements to a qualified swine facility" means  
34 capital improvements that the secretary of health and environment certifies  
35 to the director of taxation: (A) Are required for a qualified swine facility to  
36 comply with the standards and requirements established pursuant to  
37 K.S.A. 65-1,178 through 65-1,198, and amendments thereto, or pursuant  
38 to the amendments made by this act to K.S.A. 65-171d, and amendments  
39 thereto; and (B) are not required because of expansion for which a permit  
40 has not been issued or applied for before the effective date of this act.

41 (b) There shall be allowed as a credit against the tax liability of a  
42 taxpayer imposed under the Kansas income tax act an amount equal to not  
43 more than 50% of the costs incurred by the taxpayer for required

1 improvements to a qualified swine facility. The tax credit allowed by this  
 2 subsection shall be deducted from the taxpayer's income tax liability for  
 3 the taxable year in which the expenditures are made by the taxpayer. If the  
 4 amount of such tax credit exceeds the taxpayer's income tax liability for  
 5 such taxable year, the taxpayer may carry over the amount thereof that  
 6 exceeds such tax liability for deduction from the taxpayer's income tax  
 7 liability in the next succeeding taxable year or years until the total amount  
 8 of the tax credit has been deducted from tax liability, except that no such  
 9 tax credit shall be carried over for deduction after the fourth taxable year  
 10 succeeding the year in which the costs are incurred.

11 (c) The provisions of this section shall be applicable to all taxable  
 12 years commencing after December 31, 1997.

13 (d) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*  
 14 *beginning after December 31, 2012, and ending before January 1, 2018,*  
 15 the income tax credit provided by this section shall only be available to  
 16 taxpayers subject to the income tax on corporations imposed pursuant to  
 17 ~~subsection (c) of K.S.A. 79-32,110(c),~~ and amendments thereto, and shall  
 18 be applied only against such taxpayer's corporate income tax liability.

19 Sec. 16. K.S.A. 2016 Supp. 79-32,207 is hereby amended to read as  
 20 follows: 79-32,207. (a) As used in this section, "abandoned oil or gas well"  
 21 means an abandoned well, as defined by K.S.A. 55-191, and amendments  
 22 thereto:

23 (1) The drilling of which was commenced before January 1, 1970;  
 24 and

25 (2) which is located on land owned by the taxpayer claiming the tax  
 26 credit allowed by this section.

27 (b) For any taxable year commencing after December 31, 2000, a  
 28 credit shall be allowed against the tax imposed by the Kansas income tax  
 29 act on the Kansas taxable income of a taxpayer for expenditures made for  
 30 the purpose of plugging any abandoned oil or gas well in accordance with  
 31 rules and regulations of the state corporation commission applicable  
 32 thereto, in an amount equal to 50% of such expenditures made in the  
 33 taxable year.

34 (c) If the amount of the tax credit allowed by this section exceeds the  
 35 taxpayer's income tax liability for such taxable year, the amount thereof  
 36 which exceeds such tax liability may be carried over for deduction from  
 37 the taxpayer's income tax liability in the next succeeding taxable year or  
 38 years until the total amount of the tax credit has been deducted from tax  
 39 liability.

40 (d) The total amount of credits allowed taxpayers pursuant to this  
 41 section, including the amount of credits carried over under subsection (c),  
 42 shall not exceed \$250,000 for any one fiscal year.

43 (e) The secretary of revenue shall adopt such rules and regulations as

1 necessary to carry out the purposes of this section.

2 (f) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*  
3 *beginning after December 31, 2012, and ending before January 1, 2018,*  
4 the income tax credit provided by this section shall only be available to  
5 taxpayers subject to the income tax on corporations imposed pursuant to  
6 ~~subsection (e) of K.S.A. 79-32,110(c)~~, and amendments thereto, and shall  
7 be applied only against such taxpayer's corporate income tax liability.

8 Sec. 17. K.S.A. 2016 Supp. 79-32,210 is hereby amended to read as  
9 follows: 79-32,210. (a) For all taxable years commencing after December  
10 31, 2000, and with respect to property initially acquired and first placed  
11 into service in this state on and after January 1, 2001, there shall be  
12 allowed as a credit against the tax liability imposed by the Kansas income  
13 tax act of a telecommunications company, as defined in K.S.A. 79-3271,  
14 and amendments thereto, an amount equal to the difference between the  
15 property tax levied for property tax year 2001, and all such years  
16 thereafter, and actually and timely paid during the appropriate income  
17 taxable year upon property assessed at the 33% assessment rate and the  
18 property tax which would be levied and paid on such property if assessed  
19 at a 25% assessment rate.

20 (b) If the amount of the tax credit determined under subsection (a)  
21 exceeds the tax liability for the telecommunications company for any  
22 taxable year, the amount thereof which exceeds such tax liability shall be  
23 refunded to the telecommunications company. If the telecommunications  
24 company is a corporation having an election in effect under subchapter S  
25 of the federal internal revenue code, a partnership or a limited liability  
26 company, the credit provided by this section shall be claimed by the  
27 shareholders of such corporation, the partners of such partnership or the  
28 members of such limited liability company in the same manner as such  
29 shareholders, partners or members account for their proportionate shares  
30 of income or loss of the corporation, partnership or limited liability  
31 company.

32 (c) As used in this section, the term "acquired" shall not include the  
33 transfer of property pursuant to an exchange for stock securities, or the  
34 transfer of assets of one business entity to another due to a merger or other  
35 consolidation.

36 (d) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*  
37 *beginning after December 31, 2012, and ending before January 1, 2018,*  
38 the income tax credit provided by this section shall only be available to  
39 taxpayers subject to the income tax on corporations imposed pursuant to  
40 ~~subsection (e) of K.S.A. 79-32,110(c)~~, and amendments thereto, and shall  
41 be applied only against such taxpayer's corporate income tax liability.

42 Sec. 18. K.S.A. 2016 Supp. 79-32,212 is hereby amended to read as  
43 follows: 79-32,212. (a) For taxable years 2002 through 2021, there shall be

1 allowed as a credit against the tax liability of a taxpayer imposed under the  
2 Kansas income tax act, an amount equal to 100% of the amount  
3 attributable to the retirement of indebtedness authorized by a single city  
4 port authority established before January 1, 2002. In no event shall the  
5 total amount of the credits allowed under this section exceed \$500,000 for  
6 any one fiscal year.

7 (b) Upon certification by the secretary of revenue of the amount of  
8 any such credit, the director of accounts and reports shall issue to such  
9 taxpayer a warrant for such amount which shall be deemed to be a capital  
10 contribution.

11 (c) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*  
12 *beginning after December 31, 2012, and ending before January 1, 2018,*  
13 the income tax credit provided by this section shall only be available to  
14 taxpayers subject to the income tax on corporations imposed pursuant to  
15 ~~subsection (c) of K.S.A. 79-32,110(c),~~ and amendments thereto, and shall  
16 be applied only against such taxpayer's corporate income tax liability.

17 Sec. 19. K.S.A. 2016 Supp. 79-32,222 is hereby amended to read as  
18 follows: 79-32,222. (a) As used in this section:

19 (1) "Refinery" has the meaning provided by K.S.A. 2016 Supp. 79-  
20 32,217, and amendments thereto.

21 (2) "Qualified expenditures" means expenditures which the secretary  
22 of health and environment certifies to the director of taxation are required  
23 for an existing refinery to comply with environmental standards or  
24 requirements established pursuant to federal statute or regulation, or state  
25 statute or rules and regulation, adopted after December 31, 2006.

26 (b) There shall be allowed as a credit against the tax liability of a  
27 taxpayer imposed under the Kansas income tax act an amount equal to the  
28 taxpayer's qualified expenditures. The tax credit allowed by this subsection  
29 shall be deducted from the taxpayer's income tax liability for the taxable  
30 year in which the expenditures are made by the taxpayer. If the amount of  
31 such tax credit exceeds the taxpayer's income tax liability for such taxable  
32 year, the taxpayer may carry over the amount thereof that exceeds such tax  
33 liability for deduction from the taxpayer's income tax liability in the next  
34 succeeding taxable year or years until the total amount of the tax credit has  
35 been deducted from tax liability, except that no such tax credit shall be  
36 carried over for deduction after the fourth taxable year succeeding the year  
37 in which the costs are incurred.

38 (c) (1) To qualify the expenditures of the tax credit allowed by this  
39 section, a taxpayer shall apply to the secretary of health and environment  
40 for a certification that the costs were incurred to comply with  
41 environmental standards or requirements as specified in subsection (a).  
42 The secretary shall prescribe the form of the application, which shall  
43 include, but not be limited to, the following information: (A) A detailed

1 description of the refinery project that is the subject of the expenditure; (B)  
2 a citation to the applicable federal or state statutes, regulations or rules and  
3 regulations which require the environmental compliance; (C) a detailed  
4 accounting of the costs incurred for the environmental compliance; and  
5 (D) a certification by a responsible official that, based on information and  
6 belief formed after reasonable inquiry, the statements and information in  
7 the application are true, accurate and complete.

8 (2) If the secretary of health and environment determines that the  
9 expenditures were incurred to comply with environmental standards or  
10 requirements as specified in subsection (a), the secretary shall issue a  
11 certificate of compliance to the director of taxation.

12 (3) The secretary of health and environment may adopt rules and  
13 regulations to administer the provisions of this subsection, including rules  
14 and regulations to fix, charge and collect an application fee to cover all or  
15 any part of the department of health and environment's cost of certifying  
16 the taxpayer's qualified expenditures under this subsection.

17 (d) The provisions of this section shall be applicable to all taxable  
18 years commencing after December 31, 2006.

19 (e) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*  
20 *beginning after December 31, 2012, and ending before January 1, 2018,*  
21 the income tax credit provided by this section shall only be available to  
22 taxpayers subject to the income tax on corporations imposed pursuant to  
23 ~~subsection (e) of K.S.A. 79-32,110(c),~~ and amendments thereto, and shall  
24 be applied only against such taxpayer's corporate income tax liability.

25 Sec. 20. K.S.A. 2016 Supp. 79-3492b is hereby amended to read as  
26 follows: 79-3492b. Alternatively to the methods otherwise set forth in this  
27 act, special LP-gas permit users operating motor vehicles on the public  
28 highways of this state may upon application to the director on forms  
29 prescribed by the director elect to pay taxes in advance on LP-gas for each  
30 and every motor vehicle owned or operated by them and propelled in  
31 whole or in part with LP-gas during the calendar year and thereafter to  
32 purchase LP-gas tax free in lieu of securing a bonded user's permit and  
33 filing monthly reports and tax payments and keeping the records otherwise  
34 provided for in this act. The amount of such tax for each motor vehicle  
35 shall, except as otherwise provided, be based upon the gross weight of the  
36 motor vehicle and the number of miles it was operated on the public  
37 highways of this state during the previous year pursuant to the following  
38 schedules:

39  
40  
41  
42  
43







1 In the event any additional motor vehicles equipped to use LP-gas as a  
2 fuel are placed in operation by a special LP-gas permit user after the first  
3 month of any calendar year, a tax shall become due and payable to this  
4 state and is hereby imposed at the tax rate prescribed herein prorated on  
5 the basis of the weight and mileage for the months operated in the calendar  
6 year. The director shall issue special permit decals for each motor vehicle  
7 on which taxes have been paid in advance as provided herein, which shall  
8 be affixed on each such vehicle in the manner prescribed by the director.

9 Sec. 21. K.S.A. 2016 Supp. 79-34,118 is hereby amended to read as  
10 follows: 79-34,118. Upon application to the director of taxation and  
11 payment of the fee prescribed under this section any interstate motor fuel  
12 user may obtain a 24-hour motor fuel permit or a 72-hour motor fuel  
13 permit which shall authorize one commercial motor vehicle to be operated  
14 for a period of ~~24 hours~~ 24 hours or ~~72 hours~~ 72 hours, respectively,  
15 without compliance with the other provisions of the interstate motor fuel  
16 use act and in lieu of the tax imposed by K.S.A. 79-34,109, and  
17 amendments thereto. The fee for each 24-hour motor fuel permit issued  
18 under this section shall be \$13 *until June 30, 2017, and \$18.50 thereafter.*  
19 The fee for each 72-hour motor fuel permit issued under this section shall  
20 be \$25 *until June 30, 2017, and \$35.50 thereafter.* Motor fuel permits may  
21 be purchased in multiples of three upon making proper application and  
22 payment of the required fees. The secretary of revenue shall adopt rules  
23 and regulations specifying the conditions under which motor fuel permits  
24 will be issued and providing for the issuance thereof. The secretary may  
25 designate agents or contract with private individuals, firms or corporations  
26 to issue such motor fuel permits so that such permits will be obtainable at  
27 convenient locations.

28 Sec. 22. K.S.A. 2016 Supp. 79-34,141 is hereby amended to read as  
29 follows: 79-34,141. (a) *Prior to July 1, 2017, the tax imposed under this*  
30 *act shall be not less than:*

31 (1) On motor-vehicle fuels other than E85 fuels, \$.24 per gallon, or  
32 fraction thereof;

33 (2) on special fuels, \$.26 per gallon, or fraction thereof;

34 (3) on LP-gas, other than compressed natural gas and liquefied  
35 natural gas, \$.23 per gallon, or fraction thereof;

36 (4) on E85 fuels, \$.17 per gallon, or fraction thereof;

37 (5) on compressed natural gas, \$.24 per gallon, or fraction thereof;  
38 and

39 (6) on liquefied natural gas, \$.26 per gallon, or fraction thereof.

40 (b) *On and after July 1, 2017, the tax imposed under this act shall be*  
41 *not less than:*

42 (1) *On motor-vehicle fuels other than E85 fuels, \$.35 per gallon, or*  
43 *fraction thereof;*

- 1       (2) *on special fuels, \$.37 per gallon, or fraction thereof;*  
2       (3) *on LP-gas, other than compressed natural gas and liquefied*  
3 *natural gas, \$.34 per gallon, or fraction thereof;*  
4       (4) *on E85 fuels, \$.28 per gallon, or fraction thereof;*  
5       (5) *on compressed natural gas, \$.35 per gallon, or fraction thereof;*  
6 *and*

7       (6) *on liquefied natural gas, \$.37 per gallon, or fraction thereof.*

8       Sec. 23. K.S.A. 2016 Supp. 79-34,142 is hereby amended to read as  
9 follows: 79-34,142. The state treasurer shall credit amounts received  
10 pursuant to K.S.A. 79-3408, 79-3408c, 79-3491a, 79-3492 and 79-34,118,  
11 and amendments thereto, as follows:

12       (a) *Prior to July 1, 2017, to the state highway fund 66.37% and to the*  
13 *special city and county highway fund 33.63%;*

14       (b) *beginning July 1, 2017, and prior to January 1, 2018, to the state*  
15 *highway fund 76.84% and to the special city and county highway fund*  
16 *23.16%; and*

17       (c) *beginning January 1, 2018, and thereafter, to the state highway*  
18 *fund 76.78% and to the special city and county highway fund 23.22%.*

19       Sec. 24. K.S.A. 2016 Supp. 79-3602 is hereby amended to read as  
20 follows: 79-3602. Except as otherwise provided, as used in the Kansas  
21 retailers' sales tax act:

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

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

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

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

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

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

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

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

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

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

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

17 (l) "Educational institution" means any nonprofit school, college and  
18 university that offers education at a level above the 12<sup>th</sup> grade, and  
19 conducts regular classes and courses of study required for accreditation by,  
20 or membership in, the North central association of colleges and schools,  
21 the state board of education, or that otherwise qualify as an "educational  
22 institution," as defined by K.S.A. 74-50,103, and amendments thereto.  
23 Such phrase shall include: (1) A group of educational institutions that  
24 operates exclusively for an educational purpose; (2) nonprofit endowment  
25 associations and foundations organized and operated exclusively to  
26 receive, hold, invest and administer moneys and property as a permanent  
27 fund for the support and sole benefit of an educational institution; (3)  
28 nonprofit trusts, foundations and other entities organized and operated  
29 principally to hold and own receipts from intercollegiate sporting events  
30 and to disburse such receipts, as well as grants and gifts, in the interest of  
31 collegiate and intercollegiate athletic programs for the support and sole  
32 benefit of an educational institution; and (4) nonprofit trusts, foundations  
33 and other entities organized and operated for the primary purpose of  
34 encouraging, fostering and conducting scholarly investigations and  
35 industrial and other types of research for the support and sole benefit of an  
36 educational institution.

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

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

1 *through vending machines. "Food and food ingredients" does include*  
2 *bottled water.*

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

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

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

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

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

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

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

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

41 (q) "Isolated or occasional sale" means the nonrecurring sale of  
42 tangible personal property, or services taxable hereunder by a person not  
43 engaged at the time of such sale in the business of selling such property or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 (aa) "Political subdivision" means any municipality, agency or  
32 subdivision of the state which is, or shall hereafter be, authorized to levy  
33 taxes upon tangible property within the state or which certifies a levy to a  
34 municipality, agency or subdivision of the state which is, or shall hereafter  
35 be, authorized to levy taxes upon tangible property within the state. Such  
36 term also shall include any public building commission, housing, airport,  
37 port, metropolitan transit or similar authority established pursuant to law  
38 and the horsethief reservoir benefit district established pursuant to K.S.A.  
39 82a-2201, and amendments thereto.

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

43 (cc) "Prewritten computer software" means computer software,

1 including prewritten upgrades, which is not designed and developed by the  
2 author or other creator to the specifications of a specific purchaser. The  
3 combining of two or more prewritten computer software programs or  
4 prewritten portions thereof does not cause the combination to be other than  
5 prewritten computer software. "Prewritten computer software" includes  
6 software designed and developed by the author or other creator to the  
7 specifications of a specific purchaser when it is sold to a person other than  
8 the purchaser. Where a person modifies or enhances computer software of  
9 which the person is not the author or creator, the person shall be deemed to  
10 be the author or creator only of such person's modifications or  
11 enhancements. Prewritten computer software or a prewritten portion  
12 thereof that is modified or enhanced to any degree, where such  
13 modification or enhancement is designed and developed to the  
14 specifications of a specific purchaser, remains prewritten computer  
15 software, except that where there is a reasonable, separately stated charge  
16 or an invoice or other statement of the price given to the purchaser for  
17 such modification or enhancement, such modification or enhancement  
18 shall not constitute prewritten computer software.

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

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

35 (B) electricity, gas and water; and

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

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

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

42 (gg) "Quasi-municipal corporation" means any county, township,  
43 school district, drainage district or any other governmental subdivision in

1 the state of Kansas having authority to receive or hold moneys or funds.

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

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

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

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

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

28 (A) The seller's cost of the property sold;

29 (B) the cost of materials used, labor or service cost, interest, losses,  
30 all costs of transportation to the seller, all taxes imposed on the seller and  
31 any other expense of the seller;

32 (C) charges by the seller for any services necessary to complete the  
33 sale, other than delivery and installation charges;

34 (D) delivery charges; and

35 (E) installation charges.

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

38 (A) The seller actually receives consideration from a party other than  
39 the purchaser and the consideration is directly related to a price reduction  
40 or discount on the sale;

41 (B) the seller has an obligation to pass the price reduction or discount  
42 through to the purchaser;

43 (C) the amount of the consideration attributable to the sale is fixed



1 and determinable by the seller at the time of the sale of the item to the  
2 purchaser; and

3 (D) one of the following criteria is met:

4 (i) The purchaser presents a coupon, certificate or other  
5 documentation to the seller to claim a price reduction or discount where  
6 the coupon, certificate or documentation is authorized, distributed or  
7 granted by a third party with the understanding that the third party will  
8 reimburse any seller to whom the coupon, certificate or documentation is  
9 presented;

10 (ii) the purchaser identifies to the seller that the purchaser is a  
11 member of a group or organization entitled to a price reduction or  
12 discount. A preferred customer card that is available to any patron does not  
13 constitute membership in such a group; or

14 (iii) the price reduction or discount is identified as a third party price  
15 reduction or discount on the invoice received by the purchaser or on a  
16 coupon, certificate or other documentation presented by the purchaser.

17 (3) "Sales or selling price" shall not include:

18 (A) Discounts, including cash, term or coupons that are not  
19 reimbursed by a third party that are allowed by a seller and taken by a  
20 purchaser on a sale;

21 (B) interest, financing and carrying charges from credit extended on  
22 the sale of personal property or services, if the amount is separately stated  
23 on the invoice, bill of sale or similar document given to the purchaser;

24 (C) any taxes legally imposed directly on the consumer that are  
25 separately stated on the invoice, bill of sale or similar document given to  
26 the purchaser;

27 (D) the amount equal to the allowance given for the trade-in of  
28 property, if separately stated on the invoice, billing or similar document  
29 given to the purchaser; and

30 (E) commencing on July 1, 2006, and ending on June 30, 2009, cash  
31 rebates granted by a manufacturer to a purchaser or lessee of a new motor  
32 vehicle if paid directly to the retailer as a result of the original sale.

33 (mm) "Seller" means a person making sales, leases or rentals of  
34 personal property or services.

35 (nn) "Service" means those services described in and taxed under the  
36 provisions of K.S.A. 79-3603, and amendments thereto.

37 (oo) "Sourcing rules" means the rules set forth in K.S.A. 2016 Supp.  
38 79-3670 through 79-3673, K.S.A. 12-191 and 12-191a, and amendments  
39 thereto, which shall apply to identify and determine the state and local  
40 taxing jurisdiction sales or use taxes to pay, or collect and remit on a  
41 particular retail sale.

42 (pp) "Tangible personal property" means personal property that can  
43 be seen, weighed, measured, felt or touched, or that is in any other manner

1 perceptible to the senses. "Tangible personal property" includes electricity,  
2 water, gas, steam and prewritten computer software.

3 (qq) "Taxpayer" means any person obligated to account to the  
4 director for taxes collected under the terms of this act.

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

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

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

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

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

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

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

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

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

42 (aaa) "Telecommunications service" means the electronic  
43 transmission, conveyance or routing of voice, data, audio, video or any

1 other information or signals to a point, or between or among points. The  
2 term "telecommunications service" includes such transmission,  
3 conveyance or routing in which computer processing applications are used  
4 to act on the form, code or protocol of the content for purposes of  
5 transmissions, conveyance or routing without regard to whether such  
6 service is referred to as voice over internet protocol services or is  
7 classified by the federal communications commission as enhanced or value  
8 added. "Telecommunications service" does not include:

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

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

16 (3) tangible personal property;

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

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

19 (6) internet access service;

20 (7) radio and television audio and video programming services,  
21 regardless of the medium, including the furnishing of transmission,  
22 conveyance and routing of such services by the programming service  
23 provider. Radio and television audio and video programming services shall  
24 include, but not be limited to, cable service as defined in 47 U.S.C. §  
25 522(6) and audio and video programming services delivered by  
26 commercial mobile radio service providers, as defined in 47 C.F.R. § 20.3;

27 (8) ancillary services; or

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

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

35 (ccc) "900 service" means an inbound toll telecommunications  
36 service purchased by a subscriber that allows the subscriber's customers to  
37 call in to the subscriber's prerecorded announcement or live service. "900  
38 service" does not include the charge for collection services provided by the  
39 seller of the telecommunications services to the subscriber, or service or  
40 product sold by the subscriber to the subscriber's customer. The service is  
41 typically marketed under the name 900 service, and any subsequent  
42 numbers designated by the federal communications commission.

43 (ddd) "Value-added non-voice data service" means a service that

1 otherwise meets the definition of telecommunications services in which  
2 computer processing applications are used to act on the form, content,  
3 code or protocol of the information or data primarily for a purpose other  
4 than transmission, conveyance or routing.

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

9 (fff) "Interstate" means a telecommunications service that originates  
10 in one United States state, or a United States territory or possession, and  
11 terminates in a different United States state or a United States territory or  
12 possession.

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

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

- 21 (1) *Antimicrobial agents;*
- 22 (2) *fluoride;*
- 23 (3) *carbonation;*
- 24 (4) *vitamins, minerals and electrolytes;*
- 25 (5) *oxygen;*
- 26 (6) *preservatives; and*
- 27 (7) *only those flavors, extracts or essences derived from a spice or*  
28 *fruit.*

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

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

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

38 (lll) *"Prepared food" means:*

- 39 (1) *Food sold in a heated state or heated by the seller;*
- 40 (2) *two or more food ingredients mixed or combined by the seller for*  
41 *sale as a single item; or*
- 42 (3) *food sold with eating utensils provided by the seller, including*  
43 *plates, knives, forks, spoons, glasses, cups, napkins or straws. A plate does*

1 *not include a container or packaging used to transport the food.*

2 *"Prepared food" does not include food that is only cut, repackaged or*  
3 *pasteurized by the seller; and eggs, fish, meat, poultry and foods*  
4 *containing these raw animal foods requiring cooking by the consumer as*  
5 *recommended by the food and drug administration in chapter 3, part*  
6 *401.11 of its food code so as to prevent food borne illnesses.*

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

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

13 Sec. 25. K.S.A. 2016 Supp. 79-3603 is hereby amended to read as  
14 follows: 79-3603. For the privilege of engaging in the business of selling  
15 tangible personal property at retail in this state or rendering or furnishing  
16 any of the services taxable under this act, there is hereby levied and there  
17 shall be collected and paid a tax at the rate of 6.15%, and commencing  
18 July 1, 2015, at the rate of 6.5%. Within a redevelopment district  
19 established pursuant to K.S.A. 74-8921, and amendments thereto, there is  
20 hereby levied and there shall be collected and paid an additional tax at the  
21 rate of 2% until the earlier of the date the bonds issued to finance or  
22 refinance the redevelopment project have been paid in full or the final  
23 scheduled maturity of the first series of bonds issued to finance any part of  
24 the project upon:

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

27 (b) the gross receipts from intrastate, interstate or international  
28 telecommunications services and any ancillary services sourced to this  
29 state in accordance with K.S.A. 2016 Supp. 79-3673, and amendments  
30 thereto, except that telecommunications service does not include: (1) Any  
31 interstate or international 800 or 900 service; (2) any interstate or  
32 international private communications service as defined in K.S.A. 2016  
33 Supp. 79-3673, and amendments thereto; (3) any value-added nonvoice  
34 data service; (4) any telecommunication service to a provider of  
35 telecommunication services which will be used to render  
36 telecommunications services, including carrier access services; or (5) any  
37 service or transaction defined in this section among entities classified as  
38 members of an affiliated group as provided by section 1504 of the federal  
39 internal revenue code of 1986, as in effect on January 1, 2001;

40 (c) the gross receipts from the sale or furnishing of gas, water,  
41 electricity and heat, which sale is not otherwise exempt from taxation  
42 under the provisions of this act, and whether furnished by municipally or  
43 privately owned utilities, except that, on and after January 1, 2006, for

1 sales of gas, electricity and heat delivered through mains, lines or pipes to  
2 residential premises for noncommercial use by the occupant of such  
3 premises, and for agricultural use and also, for such use, all sales of  
4 propane gas, the state rate shall be 0%; and for all sales of propane gas, LP  
5 gas, coal, wood and other fuel sources for the production of heat or  
6 lighting for noncommercial use of an occupant of residential premises, the  
7 state rate shall be 0%, but such tax shall not be levied and collected upon  
8 the gross receipts from: (1) The sale of a rural water district benefit unit;  
9 (2) a water system impact fee, system enhancement fee or similar fee  
10 collected by a water supplier as a condition for establishing service; or (3)  
11 connection or reconnection fees collected by a water supplier;

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

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

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

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

31 (h) the gross receipts from the service of renting or leasing of tangible  
32 personal property except such tax shall not apply to the renting or leasing  
33 of machinery, equipment or other personal property owned by a city and  
34 purchased from the proceeds of industrial revenue bonds issued prior to  
35 July 1, 1973, in accordance with the provisions of K.S.A. 12-1740 through  
36 12-1749, and amendments thereto, and any city or lessee renting or leasing  
37 such machinery, equipment or other personal property purchased with the  
38 proceeds of such bonds who shall have paid a tax under the provisions of  
39 this section upon sales made prior to July 1, 1973, shall be entitled to a  
40 refund from the sales tax refund fund of all taxes paid thereon;

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

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

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

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

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

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

31 (n) the gross receipts received from dues charged by public and  
32 private clubs, drinking establishments, organizations and businesses,  
33 payment of which entitles a member to the use of facilities for recreation  
34 or entertainment, but such tax shall not be levied and collected upon the  
35 gross receipts received from: (1) Dues charged by any organization exempt  
36 from property taxation pursuant to K.S.A. 79-201 *Eighth* and *Ninth*, and  
37 amendments thereto; and (2) sales of memberships in a nonprofit  
38 organization which is exempt from federal income taxation pursuant to  
39 section 501(c)(3) of the federal internal revenue code of 1986, and whose  
40 purpose is to support the operation of a nonprofit zoo;

41 (o) the gross receipts received from the isolated or occasional sale of  
42 motor vehicles or trailers but not including: (1) The transfer of motor  
43 vehicles or trailers by a person to a corporation or limited liability

1 company solely in exchange for stock securities or membership interest in  
2 such corporation or limited liability company; (2) the transfer of motor  
3 vehicles or trailers by one corporation or limited liability company to  
4 another when all of the assets of such corporation or limited liability  
5 company are transferred to such other corporation or limited liability  
6 company; or (3) the sale of motor vehicles or trailers which are subject to  
7 taxation pursuant to the provisions of K.S.A. 79-5101 et seq., and  
8 amendments thereto, by an immediate family member to another  
9 immediate family member. For the purposes of paragraph (3), immediate  
10 family member means lineal ascendants or descendants, and their spouses.  
11 Any amount of sales tax paid pursuant to the Kansas retailers sales tax act  
12 on the isolated or occasional sale of motor vehicles or trailers on and after  
13 July 1, 2004, which the base for computing the tax was the value pursuant  
14 to K.S.A. 79-5105(a), (b)(1) and (b)(2), and amendments thereto, when  
15 such amount was higher than the amount of sales tax which would have  
16 been paid under the law as it existed on June 30, 2004, shall be refunded to  
17 the taxpayer pursuant to the procedure prescribed by this section. Such  
18 refund shall be in an amount equal to the difference between the amount of  
19 sales tax paid by the taxpayer and the amount of sales tax which would  
20 have been paid by the taxpayer under the law as it existed on June 30,  
21 2004. Each claim for a sales tax refund shall be verified and submitted not  
22 later than six months from the effective date of this act to the director of  
23 taxation upon forms furnished by the director and shall be accompanied by  
24 any additional documentation required by the director. The director shall  
25 review each claim and shall refund that amount of tax paid as provided by  
26 this act. All such refunds shall be paid from the sales tax refund fund, upon  
27 warrants of the director of accounts and reports pursuant to vouchers  
28 approved by the director of taxation or the director's designee. No refund  
29 for an amount less than \$10 shall be paid pursuant to this act. In  
30 determining the base for computing the tax on such isolated or occasional  
31 sale, the fair market value of any motor vehicle or trailer traded in by the  
32 purchaser to the seller may be deducted from the selling price;

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

43 For the purposes of this subsection:



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

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

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

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

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

27 (6) "windstorm" shall mean straight line winds of at least 80 miles per  
28 hour as determined by a recognized meteorological reporting agency or  
29 organization;

30 (q) the gross receipts received for the service of repairing, servicing,  
31 altering or maintaining tangible personal property which when such  
32 services are rendered is not being held for sale in the regular course of  
33 business, and whether or not any tangible personal property is transferred  
34 in connection therewith. The tax imposed by this subsection shall be  
35 applicable to the services of repairing, servicing, altering or maintaining an  
36 item of tangible personal property which has been and is fastened to,  
37 connected with or built into real property;

38 (r) the gross receipts from fees or charges made under service or  
39 maintenance agreement contracts for services, charges for the providing of  
40 which are taxable under the provisions of subsection (p) or (q);

41 (s) on and after January 1, 2005, the gross receipts received from the  
42 sale of prewritten computer software and the sale of the services of  
43 modifying, altering, updating or maintaining prewritten computer

1 software, whether the prewritten computer software is installed or  
 2 delivered electronically by tangible storage media physically transferred to  
 3 the purchaser or by load and leave;

4 (t) the gross receipts received for telephone answering services;

5 (u) the gross receipts received from the sale of prepaid calling service  
 6 and prepaid wireless calling service as defined in K.S.A. 2016 Supp. 79-  
 7 3673, and amendments thereto;

8 (v) all sales of bingo cards, bingo faces and instant bingo tickets by  
 9 licensees under K.S.A. 2016 Supp. 75-5171 et seq., and amendments  
 10 thereto, shall be exempt from taxes imposed pursuant to this section; ~~and~~

11 (w) all sales of charitable raffle tickets in accordance with K.S.A.  
 12 2016 Supp. 75-5171 et seq., and amendments thereto, shall be exempt  
 13 from taxes imposed pursuant to this section; *and*

14 *(x) commencing July 1, 2017, and thereafter, the gross receipts from*  
 15 *the sale of food and food ingredients shall be taxed at the rate of 5.0%.*  
 16 *The provisions of this subsection shall not apply to prepared food, unless*  
 17 *sold without eating utensils provided by the seller and described below:*

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

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

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

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

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

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

30 Sec. 26. K.S.A. 2016 Supp. 79-3620 is hereby amended to read as  
 31 follows: 79-3620. (a) All revenue collected or received by the director of  
 32 taxation from the taxes imposed by this act shall be remitted to the state  
 33 treasurer in accordance with the provisions of K.S.A. 75-4215, and  
 34 amendments thereto. Upon receipt of each such remittance, the state  
 35 treasurer shall deposit the entire amount in the state treasury, less amounts  
 36 withheld as provided in subsection (b) and amounts credited as provided in  
 37 subsections (c), (d) and (e), to the credit of the state general fund.

38 (b) A refund fund, designated as "sales tax refund fund" not to exceed  
 39 \$100,000 shall be set apart and maintained by the director from sales tax  
 40 collections and estimated tax collections and held by the state treasurer for  
 41 prompt payment of all sales tax refunds. Such fund shall be in such  
 42 amount, within the limit set by this section, as the director shall determine  
 43 is necessary to meet current refunding requirements under this act. In the

1 event such fund as established by this section is, at any time, insufficient to  
2 provide for the payment of refunds due claimants thereof, the director shall  
3 certify the amount of additional funds required to the director of accounts  
4 and reports who shall promptly transfer the required amount from the state  
5 general fund to the sales tax refund fund, and notify the state treasurer,  
6 who shall make proper entry in the records.

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

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

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

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

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

32 (6) On July 1, 2016, ~~and thereafter~~, the state treasurer shall credit  
33 16.154% of the revenue collected and received from the tax imposed by  
34 K.S.A. 79-3603, and amendments thereto, at the rate of 6.5%, and  
35 deposited as provided by subsection (a), exclusive of amounts credited  
36 pursuant to subsection (d), in the state highway fund.

37 (7) *On July 1, 2017, and thereafter, the state treasurer shall credit*  
38 *16.154% of the revenue collected and received from the tax imposed by*  
39 *K.S.A. 79-3603, and amendments thereto, at the rates of 6.5% and 5.0%,*  
40 *and deposited as provided by subsection (a), exclusive of amounts credited*  
41 *pursuant to subsection (d), in the state highway fund.*

42 (d) The state treasurer shall credit all revenue collected or received  
43 from the tax imposed by K.S.A. 79-3603, and amendments thereto, as

1 certified by the director, from taxpayers doing business within that portion  
2 of a STAR bond project district occupied by a STAR bond project or  
3 taxpayers doing business with such entity financed by a STAR bond  
4 project as defined in K.S.A. 2016 Supp. 12-17,162, and amendments  
5 thereto, that was determined by the secretary of commerce to be of  
6 statewide as well as local importance or will create a major tourism area  
7 for the state or the project was designated as a STAR bond project as  
8 defined in K.S.A. 2016 Supp. 12-17,162, and amendments thereto, to the  
9 city bond finance fund, which fund is hereby created. The provisions of  
10 this subsection shall expire when the total of all amounts credited  
11 hereunder and under K.S.A. 79-3710(d), and amendments thereto, is  
12 sufficient to retire the special obligation bonds issued for the purpose of  
13 financing all or a portion of the costs of such STAR bond project.

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

1 distribution of freight through railway and trucking operations.

2 Sec. 27. K.S.A. 2016 Supp. 79-3703 is hereby amended to read as  
3 follows: 79-3703. There is hereby levied and there shall be collected from  
4 every person in this state a tax or excise for the privilege of using, storing,  
5 or consuming within this state any article of tangible personal property.  
6 Such tax shall be levied and collected in an amount equal to the  
7 consideration paid by the taxpayer multiplied by the rate of 6.5%, *except*  
8 *that commencing July 1, 2017, such rate shall be 5.0% on food and food*  
9 *ingredients as provided by K.S.A. 79-3603(x), and amendments thereto.*  
10 Within a redevelopment district established pursuant to K.S.A. 74-8921,  
11 and amendments thereto, there is hereby levied and there shall be collected  
12 and paid an additional tax of 2% until the earlier of: (1) The date the bonds  
13 issued to finance or refinance the redevelopment project undertaken in the  
14 district have been paid in full; or (2) the final scheduled maturity of the  
15 first series of bonds issued to finance the redevelopment project. All  
16 property purchased or leased within or without this state and subsequently  
17 used, stored or consumed in this state shall be subject to the compensating  
18 tax if the same property or transaction would have been subject to the  
19 Kansas retailers' sales tax had the transaction been wholly within this state.

20 Sec. 28. K.S.A. 2016 Supp. 79-3710 is hereby amended to read as  
21 follows: 79-3710. (a) All revenue collected or received by the director  
22 under the provisions of this act shall be remitted to the state treasurer in  
23 accordance with the provisions of K.S.A. 75-4215, and amendments  
24 thereto. Upon receipt of each such remittance, the state treasurer shall  
25 deposit the entire amount in the state treasury, less amounts set apart as  
26 provided in subsection (b) and amounts credited as provided in subsection  
27 (c), (d) and (e), to the credit of the state general fund.

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

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

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

1 the state highway fund.

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

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

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

17 (6) On July 1, 2016, ~~and thereafter~~, the state treasurer shall credit  
18 16.154% of the revenue collected and received from the tax imposed by  
19 K.S.A. 79-3703, and amendments thereto, at the rate of 6.5%, and  
20 deposited as provided by subsection (a), exclusive of amounts credited  
21 pursuant to subsection (d), in the state highway fund.

22 (7) *On July 1, 2017, and thereafter, the state treasurer shall credit*  
23 *16.154% of the revenue collected and received from the tax imposed by*  
24 *K.S.A. 79-3703, and amendments thereto, at the rates of 6.5% and 5.0%,*  
25 *and deposited as provided by subsection (a), exclusive of amounts credited*  
26 *pursuant to subsection (d), in the state highway fund.*

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

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

41 (e) All revenue certified by the director of taxation as having been  
42 collected or received from the tax imposed by K.S.A. 79-3603(c), and  
43 amendments thereto, on the sale or furnishing of gas, water, electricity and

1 heat for use or consumption within the intermodal facility district  
2 described in this subsection, shall be credited by the state treasurer to the  
3 state highway fund. Such revenue may be transferred by the secretary of  
4 transportation to the rail service improvement fund pursuant to law. The  
5 provisions of this subsection shall take effect upon certification by the  
6 secretary of transportation that a notice to proceed has been received for  
7 the construction of the improvements within the intermodal facility  
8 district, but not later than December 31, 2010, and shall expire when the  
9 secretary of revenue determines that the total of all amounts credited  
10 hereunder and pursuant to K.S.A. 79-3620(e), and amendments thereto, is  
11 equal to \$53,300,000, but not later than December 31, 2045. Thereafter, all  
12 revenues shall be collected and distributed in accordance with applicable  
13 law. For all tax reporting periods during which the provisions of this  
14 subsection are in effect, none of the exemptions contained in K.S.A. 79-  
15 3601 et seq., and amendments thereto, shall apply to the sale or furnishing  
16 of any gas, water, electricity and heat for use or consumption within the  
17 intermodal facility district. As used in this subsection, "intermodal facility  
18 district" shall consist of an intermodal transportation area as defined by  
19 K.S.A. 12-1770a(oo), and amendments thereto, located in Johnson county  
20 within the polygonal-shaped area having Waverly Road as the eastern  
21 boundary, 191<sup>st</sup> Street as the southern boundary, Four Corners Road as the  
22 western boundary, and Highway 56 as the northern boundary, and the  
23 polygonal-shaped area having Poplar Road as the eastern boundary, 183<sup>rd</sup>  
24 Street as the southern boundary, Waverly Road as the western boundary,  
25 and the BNSF mainline track as the northern boundary, that includes  
26 capital investment in an amount exceeding \$150 million for the  
27 construction of an intermodal facility to handle the transfer, storage and  
28 distribution of freight through railway and trucking operations.

29 Sec. 29. K.S.A. 2016 Supp. 32-1438, 39-7,132, 40-2246, 65-7107,  
30 74-8206, 74-8304, 74-8316, 74-8401, 79-32,110, 79-32,117, 79-32,182b,  
31 79-32,190, 79-32,200, 79-32,201, 79-32,204, 79-32,207, 79-32,210, 79-  
32 32,212, 79-32,222, 79-32,269, 79-3492b, 79-34,118, 79-34,141, 79-  
33 34,142, 79-3602, 79-3603, 79-3620, 79-3703 and 79-3710 are hereby  
34 repealed.

35 Sec. 30. This act shall take effect and be in force from and after its  
36 publication in the statute book.