

## HOUSE BILL No. 2182

By Representative Sloan

1-26

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AN ACT concerning water; relating to funding of certain programs to promote clean drinking water; imposing certain fees; providing for legal action under certain circumstances; exempting certain sales from sales tax; amending K.S.A. 2000 Supp. 79-3606 and repealing the existing section.

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

New Section 1. (a) There is hereby created in the state treasury the clean drinking water fund. The fund shall consist of:

(1) Moneys credited to the fund pursuant to section 4, and amendments thereto;

(2) interest credited to the fund pursuant to subsection (c); and

(3) any amounts appropriated, contributed or otherwise made available for the purposes of the fund.

(b) Moneys in the clean drinking water fund shall be expended only as provided for by section 2, and amendments thereto.

(c) On or before the 10th of each month, the director of accounts and reports shall transfer from the state general fund to the clean drinking water fund interest earnings based on:

(1) The average daily balance of moneys in the clean drinking water fund for the preceding month; and

(2) the net earnings rate for the pooled money investment portfolio for the preceding month.

(d) All expenditures from the clean drinking water fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the director of the Kansas water office or the director's designee for the purposes set forth in this section.

New Sec. 2. (a) The clean drinking water fund shall be administered by the Kansas water office with the advice of the clean drinking water fund advisory board established pursuant to section 3, and amendments thereto.

(b) Moneys in the clean drinking water fund shall be used only to:

(1) Provide grants to pay not more than 80% of the cost of improving public water supply infrastructure and capacity;

1 (2) improve management practices of public water supplies, includ-  
2 ing the provision of on-site technical assistance;

3 (3) provide emergency loans to public water supply systems to bring  
4 treatment systems into compliance with clean drinking water standards;

5 (4) provide grants to pay not more than 80% of the cost of programs  
6 to achieve compliance with the federal standard for total maximum daily  
7 load of pollutants in perennial waterways and lakes that provide public  
8 water supply;

9 (5) provide grants to pay not more than 50% of the cost of imple-  
10 menting alternative discharge programs, such as riparian and wetland  
11 attenuation programs, for wastewater and storm water systems that dis-  
12 charge into intermittent streams in urban areas;

13 (6) pay costs of the attorney general in any legal actions necessary to  
14 ensure that surface water entering Kansas from upstream states complies  
15 with all federal laws governing water quality; and

16 (7) contract for the technical assistance of private and public entities  
17 which have unique capabilities to accomplish the purposes set out in  
18 subsections (b)(1) through (6).

19 (c) The Kansas water office shall enter into memoranda of under-  
20 standing with other state agencies for use of moneys in the clean drinking  
21 water fund to carry out the purposes provided by subsection (b) through  
22 existing programs of the state agencies.

23 New Sec. 3. (a) There is hereby established the clean drinking water  
24 fund advisory board. The advisory board shall consist of: (1) The secretary  
25 of health and environment or the secretary's designee; (2) the secretary  
26 of agriculture or the secretary's designee; (3) the director of the state  
27 conservation commission or the director's designee; (4) the director of  
28 the state biological survey or the director's designee; and the following  
29 members appointed by the governor: (A) A member representing the  
30 Kansas rural water association; (B) a member representing the league of  
31 Kansas municipalities; (C) a member from the faculty of an institution  
32 under the supervision of the state board of regents; and (D) two repre-  
33 sentatives of customers of public water supply systems.

34 (b) The director of the Kansas water office shall serve as chairperson  
35 of the advisory board. The advisory board shall meet on call of the  
36 chairperson.

37 (c) Members of the advisory board appointed by the governor shall  
38 serve for terms of three years and shall receive amounts provided in sub-  
39 section (e) of K.S.A. 75-3223, and amendments thereto.

40 (d) On or before the first day of the regular legislative session each  
41 year, the advisory board shall submit to the governor and the legislature  
42 recommendations regarding sources of funding to meet scientific, federal  
43 regulatory and state policy requirements to ensure clean drinking water

1 for the citizens of the state, including any recommendations regarding  
2 the amount of the fee imposed pursuant to section 4, and amendments  
3 thereto.

4 New Sec. 4. (a) On and after July 1, 2001, there is hereby imposed  
5 a clean drinking water fee at the rate of \$.07 per 1,000 gallons of water  
6 sold at retail by a public water supply system and delivered through mains,  
7 lines or pipes. Such fee shall be paid, administered, enforced and col-  
8 lected in the manner provided for the fee imposed by subsection (a)(1)  
9 of K.S.A. 82a-954, and amendments thereto.

10 (b) The director of taxation shall remit daily to the state treasurer all  
11 moneys received or collected from the fee imposed pursuant to this sec-  
12 tion. Upon receipt thereof, the state treasurer shall deposit the entire  
13 amount in the state treasury and credit it to the clean drinking water fund  
14 created by section 1, and amendments thereto.

15 New Sec. 5. (a) The department of health and environment shall  
16 monitor the quality of surface water entering and leaving the state and  
17 shall report the department's findings to the governor, the attorney gen-  
18 eral, the legislature and the public.

19 (b) The attorney general shall take appropriate legal action against  
20 any upstream state whenever the report of the department of health and  
21 environment for two successive quarters shows that the average quality  
22 of surface water entering Kansas from such state exceeds federal total  
23 maximum daily load standards for atrazine, fecal coliform, ammonia and  
24 other contaminants identified by the federal clean water act.

25 Sec. 6. K.S.A. 2000 Supp. 79-3606 is hereby amended to read as  
26 follows: 79-3606. The following shall be exempt from the tax imposed by  
27 this act:

28 (a) All sales of motor-vehicle fuel or other articles upon which a sales  
29 or excise tax has been paid, not subject to refund, under the laws of this  
30 state except cigarettes as defined by K.S.A. 79-3301 and amendments  
31 thereto, cereal malt beverages and malt products as defined by K.S.A. 79-  
32 3817 and amendments thereto, including wort, liquid malt, malt syrup  
33 and malt extract, which is not subject to taxation under the provisions of  
34 K.S.A. 79-41a02 and amendments thereto, motor vehicles taxed pursuant  
35 to K.S.A. 79-5117, and amendments thereto, tires taxed pursuant to  
36 K.S.A. 65-3424d, and amendments thereto, and drycleaning and laundry  
37 services taxed pursuant to K.S.A. 2000 Supp. 65-34,150, and amendments  
38 thereto;

39 (b) all sales of tangible personal property or service, including the  
40 renting and leasing of tangible personal property, purchased directly by  
41 the state of Kansas, a political subdivision thereof, other than a school or  
42 educational institution, or purchased by a public or private nonprofit hos-  
43 pital or public hospital authority or nonprofit blood, tissue or organ bank

1 and used exclusively for state, political subdivision, hospital or public hos-  
2 pital authority or nonprofit blood, tissue or organ bank purposes, except  
3 when: (1) Such state, hospital or public hospital authority is engaged or  
4 proposes to engage in any business specifically taxable under the provi-  
5 sions of this act and such items of tangible personal property or service  
6 are used or proposed to be used in such business, or (2) such political  
7 subdivision is engaged or proposes to engage in the business of furnishing  
8 gas, water, electricity or heat to others and such items of personal prop-  
9 erty or service are used or proposed to be used in such business;

10 (c) all sales of tangible personal property or services, including the  
11 renting and leasing of tangible personal property, purchased directly by  
12 a public or private elementary or secondary school or public or private  
13 nonprofit educational institution and used primarily by such school or  
14 institution for nonsectarian programs and activities provided or sponsored  
15 by such school or institution or in the erection, repair or enlargement of  
16 buildings to be used for such purposes. The exemption herein provided  
17 shall not apply to erection, construction, repair, enlargement or equip-  
18 ment of buildings used primarily for human habitation;

19 (d) all sales of tangible personal property or services purchased by a  
20 contractor for the purpose of constructing, equipping, reconstructing,  
21 maintaining, repairing, enlarging, furnishing or remodeling facilities for  
22 any public or private nonprofit hospital or public hospital authority, public  
23 or private elementary or secondary school or a public or private nonprofit  
24 educational institution, which would be exempt from taxation under the  
25 provisions of this act if purchased directly by such hospital or public hos-  
26 pital authority, school or educational institution; and all sales of tangible  
27 personal property or services purchased by a contractor for the purpose  
28 of constructing, equipping, reconstructing, maintaining, repairing, en-  
29 larging, furnishing or remodeling facilities for any political subdivision of  
30 the state, the total cost of which is paid from funds of such political  
31 subdivision and which would be exempt from taxation under the provi-  
32 sions of this act if purchased directly by such political subdivision. Nothing  
33 in this subsection or in the provisions of K.S.A. 12-3418 and amendments  
34 thereto, shall be deemed to exempt the purchase of any construction  
35 machinery, equipment or tools used in the constructing, equipping, re-  
36 constructing, maintaining, repairing, enlarging, furnishing or remodeling  
37 facilities for any political subdivision of the state. As used in this subsec-  
38 tion, K.S.A. 12-3418 and 79-3640, and amendments thereto, "funds of a  
39 political subdivision" shall mean general tax revenues, the proceeds of  
40 any bonds and gifts or grants-in-aid. Gifts shall not mean funds used for  
41 the purpose of constructing, equipping, reconstructing, repairing, enlarg-  
42 ing, furnishing or remodeling facilities which are to be leased to the do-  
43 nor. When any political subdivision of the state, public or private non-

1 profit hospital or public hospital authority, public or private elementary  
2 or secondary school or public or private nonprofit educational institution  
3 shall contract for the purpose of constructing, equipping, reconstructing,  
4 maintaining, repairing, enlarging, furnishing or remodeling facilities, it  
5 shall obtain from the state and furnish to the contractor an exemption  
6 certificate for the project involved, and the contractor may purchase ma-  
7 terials for incorporation in such project. The contractor shall furnish the  
8 number of such certificate to all suppliers from whom such purchases are  
9 made, and such suppliers shall execute invoices covering the same bearing  
10 the number of such certificate. Upon completion of the project the con-  
11 tractor shall furnish to the political subdivision, hospital or public hospital  
12 authority, school or educational institution concerned a sworn statement,  
13 on a form to be provided by the director of taxation, that all purchases so  
14 made were entitled to exemption under this subsection. As an alternative  
15 to the foregoing procedure, any such contracting entity may apply to the  
16 secretary of revenue for agent status for the sole purpose of issuing and  
17 furnishing project exemption certificates to contractors pursuant to rules  
18 and regulations adopted by the secretary establishing conditions and stan-  
19 dards for the granting and maintaining of such status. All invoices shall  
20 be held by the contractor for a period of five years and shall be subject  
21 to audit by the director of taxation. If any materials purchased under such  
22 a certificate are found not to have been incorporated in the building or  
23 other project or not to have been returned for credit or the sales or  
24 compensating tax otherwise imposed upon such materials which will not  
25 be so incorporated in the building or other project reported and paid by  
26 such contractor to the director of taxation not later than the 20th day of  
27 the month following the close of the month in which it shall be deter-  
28 mined that such materials will not be used for the purpose for which such  
29 certificate was issued, the political subdivision, hospital or public hospital  
30 authority, school or educational institution concerned shall be liable for  
31 tax on all materials purchased for the project, and upon payment thereof  
32 it may recover the same from the contractor together with reasonable  
33 attorney fees. Any contractor or any agent, employee or subcontractor  
34 thereof, who shall use or otherwise dispose of any materials purchased  
35 under such a certificate for any purpose other than that for which such a  
36 certificate is issued without the payment of the sales or compensating tax  
37 otherwise imposed upon such materials, shall be guilty of a misdemeanor  
38 and, upon conviction therefor, shall be subject to the penalties provided  
39 for in subsection (g) of K.S.A. 79-3615, and amendments thereto;

40 (e) all sales of tangible personal property or services purchased by a  
41 contractor for the erection, repair or enlargement of buildings or other  
42 projects for the government of the United States, its agencies or instru-  
43 mentalities, which would be exempt from taxation if purchased directly

1 by the government of the United States, its agencies or instrumentalities.  
2 When the government of the United States, its agencies or instrumen-  
3 talities shall contract for the erection, repair, or enlargement of any build-  
4 ing or other project, it shall obtain from the state and furnish to the  
5 contractor an exemption certificate for the project involved, and the con-  
6 tractor may purchase materials for incorporation in such project. The  
7 contractor shall furnish the number of such certificates to all suppliers  
8 from whom such purchases are made, and such suppliers shall execute  
9 invoices covering the same bearing the number of such certificate. Upon  
10 completion of the project the contractor shall furnish to the government  
11 of the United States, its agencies or instrumentalities concerned a sworn  
12 statement, on a form to be provided by the director of taxation, that all  
13 purchases so made were entitled to exemption under this subsection. As  
14 an alternative to the foregoing procedure, any such contracting entity may  
15 apply to the secretary of revenue for agent status for the sole purpose of  
16 issuing and furnishing project exemption certificates to contractors pur-  
17 suant to rules and regulations adopted by the secretary establishing con-  
18 ditions and standards for the granting and maintaining of such status. All  
19 invoices shall be held by the contractor for a period of five years and shall  
20 be subject to audit by the director of taxation. Any contractor or any agent,  
21 employee or subcontractor thereof, who shall use or otherwise dispose of  
22 any materials purchased under such a certificate for any purpose other  
23 than that for which such a certificate is issued without the payment of  
24 the sales or compensating tax otherwise imposed upon such materials,  
25 shall be guilty of a misdemeanor and, upon conviction therefor, shall be  
26 subject to the penalties provided for in subsection (g) of K.S.A. 79-3615  
27 and amendments thereto;

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

31 (g) sales of aircraft including remanufactured and modified aircraft,  
32 sales of aircraft repair, modification and replacement parts and sales of  
33 services employed in the remanufacture, modification and repair of air-  
34 craft sold to persons using directly or through an authorized agent such  
35 aircraft and aircraft repair, modification and replacement parts as certified  
36 or licensed carriers of persons or property in interstate or foreign com-  
37 merce under authority of the laws of the United States or any foreign  
38 government or sold to any foreign government or agency or instrumen-  
39 tality of such foreign government and all sales of aircraft, aircraft parts,  
40 replacement parts and services employed in the remanufacture, modifi-  
41 cation and repair of aircraft for use outside of the United States;

42 (h) all rentals of nonsectarian textbooks by public or private elemen-  
43 tary or secondary schools;

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

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

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

14 (l) all isolated or occasional sales of tangible personal property, serv-  
15 ices, substances or things, except isolated or occasional sale of motor  
16 vehicles specifically taxed under the provisions of subsection (o) of K.S.A.  
17 79-3603 and amendments thereto;

18 (m) all sales of tangible personal property which become an ingre-  
19 dient or component part of tangible personal property or services pro-  
20 duced, manufactured or compounded for ultimate sale at retail within or  
21 without the state of Kansas; and any such producer, manufacturer or  
22 compounder may obtain from the director of taxation and furnish to the  
23 supplier an exemption certificate number for tangible personal property  
24 for use as an ingredient or component part of the property or services  
25 produced, manufactured or compounded;

26 (n) all sales of tangible personal property which is consumed in the  
27 production, manufacture, processing, mining, drilling, refining or com-  
28 pounding of tangible personal property, the treating of by-products or  
29 wastes derived from any such production process, the providing of serv-  
30 ices or the irrigation of crops for ultimate sale at retail within or without  
31 the state of Kansas; and any purchaser of such property may obtain from  
32 the director of taxation and furnish to the supplier an exemption certifi-  
33 cate number for tangible personal property for consumption in such pro-  
34 duction, manufacture, processing, mining, drilling, refining, compound-  
35 ing, treating, irrigation and in providing such services;

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

42 (p) all sales of drugs, as defined by K.S.A. 65-1626 and amendments  
43 thereto, dispensed pursuant to a prescription order, as defined by K.S.A.

1 65-1626 and amendments thereto, by a licensed practitioner or a mid-  
2 level practitioner as defined by K.S.A. 65-1626, and amendments thereto;

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

6 (r) all sales of prosthetic and orthopedic appliances prescribed in  
7 writing by a person licensed to practice the healing arts, dentistry or  
8 optometry. For the purposes of this subsection, the term prosthetic and  
9 orthopedic appliances means any apparatus, instrument, device, or equip-  
10 ment used to replace or substitute for any missing part of the body; used  
11 to alleviate the malfunction of any part of the body; or used to assist any  
12 disabled person in leading a normal life by facilitating such person's mo-  
13 bility; such term shall include accessories attached or to be attached to  
14 motor vehicles, but such term shall not include motor vehicles or personal  
15 property which when installed becomes a fixture to real property;

16 (s) all sales of tangible personal property or services purchased di-  
17 rectly *or indirectly* by a groundwater management district organized or  
18 operating under the authority of K.S.A. 82a-1020 *et seq.* and amendments  
19 thereto *or by any public water supply system, as defined by K.S.A. 65-*  
20 *162a, and amendments thereto*, which property or services are used in  
21 ~~the~~ construction, renovation, operation or maintenance of the district *or*  
22 *system*;

23 (t) all sales of farm machinery and equipment or aquaculture ma-  
24 chinery and equipment, repair and replacement parts therefor and serv-  
25 ices performed in the repair and maintenance of such machinery and  
26 equipment. For the purposes of this subsection the term "farm machinery  
27 and equipment or aquaculture machinery and equipment" shall include  
28 machinery and equipment used in the operation of Christmas tree farm-  
29 ing but shall not include any passenger vehicle, truck, truck tractor, trailer,  
30 semitrailer or pole trailer, other than a farm trailer, as such terms are  
31 defined by K.S.A. 8-126 and amendments thereto. Each purchaser of  
32 farm machinery and equipment or aquaculture machinery and equipment  
33 exempted herein must certify in writing on the copy of the invoice or  
34 sales ticket to be retained by the seller that the farm machinery and  
35 equipment or aquaculture machinery and equipment purchased will be  
36 used only in farming, ranching or aquaculture production. Farming or  
37 ranching shall include the operation of a feedlot and farm and ranch work  
38 for hire and the operation of a nursery;

39 (u) all leases or rentals of tangible personal property used as a dwell-  
40 ing if such tangible personal property is leased or rented for a period of  
41 more than 28 consecutive days;

42 (v) all sales of food products to any contractor for use in preparing  
43 meals for delivery to homebound elderly persons over 60 years of age and



1 to homebound disabled persons or to be served at a group-sitting at a  
2 location outside of the home to otherwise homebound elderly persons  
3 over 60 years of age and to otherwise homebound disabled persons, as  
4 all or part of any food service project funded in whole or in part by  
5 government or as part of a private nonprofit food service project available  
6 to all such elderly or disabled persons residing within an area of service  
7 designated by the private nonprofit organization, and all sales of food  
8 products for use in preparing meals for consumption by indigent or home-  
9 less individuals whether or not such meals are consumed at a place des-  
10 ignated for such purpose;

11 (w) all sales of natural gas, electricity, heat and water delivered  
12 through mains, lines or pipes: (1) To residential premises for noncom-  
13 mercial use by the occupant of such premises; (2) for agricultural use and  
14 also, for such use, all sales of propane gas; (3) for use in the severing of  
15 oil; and (4) to any property which is exempt from property taxation pur-  
16 suant to K.S.A. 79-201b *Second* through *Sixth*. As used in this paragraph,  
17 “severing” shall have the meaning ascribed thereto by subsection (k) of  
18 K.S.A. 79-4216, and amendments thereto;

19 (x) all sales of propane gas, LP-gas, coal, wood and other fuel sources  
20 for the production of heat or lighting for noncommercial use of an oc-  
21 cupant of residential premises;

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

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

29 (aa) all sales of materials and services applied to equipment which is  
30 transported into the state from without the state for repair, service, al-  
31 teration, maintenance, remanufacture or modification and which is sub-  
32 sequently transported outside the state for use in the transmission of  
33 liquids or natural gas by means of pipeline in interstate or foreign com-  
34 merce under authority of the laws of the United States;

35 (bb) all sales of used mobile homes or manufactured homes. As used  
36 in this subsection: (1) “Mobile homes” and “manufactured homes” shall  
37 have the meanings ascribed thereto by K.S.A. 58-4202 and amendments  
38 thereto; and (2) “sales of used mobile homes or manufactured homes”  
39 means sales other than the original retail sale thereof;

40 (cc) all sales of tangible personal property or services purchased for  
41 the purpose of and in conjunction with constructing, reconstructing, en-  
42 larging or remodeling a business or retail business which meets the  
43 requirements established in K.S.A. 74-50,115 and amendments thereto,

1 and the sale and installation of machinery and equipment purchased for  
2 installation at any such business or retail business. When a person shall  
3 contract for the construction, reconstruction, enlargement or remodeling  
4 of any such business or retail business, such person shall obtain from the  
5 state and furnish to the contractor an exemption certificate for the project  
6 involved, and the contractor may purchase materials, machinery and  
7 equipment for incorporation in such project. The contractor shall furnish  
8 the number of such certificates to all suppliers from whom such purchases  
9 are made, and such suppliers shall execute invoices covering the same  
10 bearing the number of such certificate. Upon completion of the project  
11 the contractor shall furnish to the owner of the business or retail business  
12 a sworn statement, on a form to be provided by the director of taxation,  
13 that all purchases so made were entitled to exemption under this subsec-  
14 tion. All invoices shall be held by the contractor for a period of five years  
15 and shall be subject to audit by the director of taxation. Any contractor  
16 or any agent, employee or subcontractor thereof, who shall use or oth-  
17 erwise dispose of any materials, machinery or equipment purchased un-  
18 der such a certificate for any purpose other than that for which such a  
19 certificate is issued without the payment of the sales or compensating tax  
20 otherwise imposed thereon, shall be guilty of a misdemeanor and, upon  
21 conviction therefor, shall be subject to the penalties provided for in sub-  
22 section (g) of K.S.A. 79-3615 and amendments thereto. As used in this  
23 subsection, “business” and “retail business” have the meanings respec-  
24 tively ascribed thereto by K.S.A. 74-50,114 and amendments thereto;

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

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

29 (ff) on and after July 1, 1988, all sales of new mobile homes or man-  
30 ufactured homes to the extent of 40% of the gross receipts, determined  
31 without regard to any trade-in allowance, received from such sale. As used  
32 in this subsection, “mobile homes” and “manufactured homes” shall have  
33 the meanings ascribed thereto by K.S.A. 58-4202 and amendments  
34 thereto;

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

38 (hh) all sales of medical supplies and equipment purchased directly  
39 by a nonprofit skilled nursing home or nonprofit intermediate nursing  
40 care home, as defined by K.S.A. 39-923, and amendments thereto, for  
41 the purpose of providing medical services to residents thereof. This ex-  
42 emption shall not apply to tangible personal property customarily used  
43 for human habitation purposes;

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

7 (jj) all sales of tangible personal property or services, including the  
8 renting and leasing of tangible personal property, purchased directly on  
9 behalf of a community-based mental retardation facility or mental health  
10 center organized pursuant to K.S.A. 19-4001 *et seq.*, and amendments  
11 thereto, and licensed in accordance with the provisions of K.S.A. 75-  
12 3307b and amendments thereto. This exemption shall not apply to tan-  
13 gible personal property customarily used for human habitation purposes;

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

17 (B) all sales of installation, repair and maintenance services per-  
18 formed on such machinery and equipment; and

19 (C) all sales of repair and replacement parts and accessories pur-  
20 chased for such machinery and equipment.

21 (2) For purposes of this subsection:

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

32 (B) “production line” means the assemblage of machinery and equip-  
33 ment at a manufacturing or processing plant or facility where the actual  
34 transformation or processing of tangible personal property occurs;

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

1 a single product of tangible personal property to be ultimately sold at  
2 retail;

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

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

1 (F) “primary” or “primarily” mean more than 50% of the time.

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

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

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

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

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

15 (E) to test or measure raw materials, the property undergoing man-  
16 ufacturing or processing or the finished product, as a necessary part of  
17 the manufacturer’s integrated production operations;

18 (F) to plan, manage, control or record the receipt and flow of inven-  
19 tories of raw materials, consumables and component parts, the flow of  
20 the property undergoing manufacturing or processing and the manage-  
21 ment of inventories of the finished product;

22 (G) to produce energy for, lubricate, control the operating of or oth-  
23 erwise enable the functioning of other production machinery and equip-  
24 ment and the continuation of production operations;

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

28 (I) to transmit or transport electricity, coke, gas, water, steam or sim-  
29 ilar substances used in production operations from the point of genera-  
30 tion, if produced by the manufacturer or processor at the plant site, to  
31 that manufacturer’s production operation; or, if purchased or delivered  
32 from offsite, from the point where the substance enters the site of the  
33 plant or facility to that manufacturer’s production operations;

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

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

40 (L) to treat, transport or store waste or other byproducts of produc-  
41 tion operations at the plant or facility; or

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

1 (4) The following machinery, equipment and materials shall be  
2 deemed to be exempt even though it may not otherwise qualify as ma-  
3 chinery and equipment used as an integral or essential part of an inte-  
4 grated production operation: (A) Computers and related peripheral  
5 equipment that are utilized by a manufacturing or processing business  
6 for engineering of the finished product or for research and development  
7 or product design; (B) machinery and equipment that is utilized by a  
8 manufacturing or processing business to manufacture or rebuild tangible  
9 personal property that is used in manufacturing or processing operations,  
10 including tools, dies, molds, forms and other parts of qualifying machinery  
11 and equipment; (C) portable plants for aggregate concrete, bulk cement  
12 and asphalt including cement mixing drums to be attached to a motor  
13 vehicle; (D) industrial fixtures, devices, support facilities and special foun-  
14 dations necessary for manufacturing and production operations, and ma-  
15 terials and other tangible personal property sold for the purpose of fab-  
16 ricating such fixtures, devices, facilities and foundations. An exemption  
17 certificate for such purchases shall be signed by the manufacturer or  
18 processor. If the fabricator purchases such material, the fabricator shall  
19 also sign the exemption certificate; and (E) a manufacturing or processing  
20 business' laboratory equipment that is not located at the plant or facility,  
21 but that would otherwise qualify for exemption under subsection (3)(E).

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

24 (A) Machinery and equipment used for nonproduction purposes, in-  
25 cluding, but not limited to, machinery and equipment used for plant se-  
26 curity, fire prevention, first aid, accounting, administration, record keep-  
27 ing, advertising, marketing, sales or other related activities, plant cleaning,  
28 plant communications, and employee work scheduling;

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

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

37 (D) office machines and equipment including computers and related  
38 peripheral equipment not used directly and primarily to control or mea-  
39 sure the manufacturing process;

40 (E) furniture and other furnishings;

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

1 (G) building fixtures that are not integral to the manufacturing op-  
2 eration, such as utility systems for heating, ventilation, air conditioning,  
3 communications, plumbing or electrical;

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

6 (I) motor vehicles that are registered for operation on public high-  
7 ways; or

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

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

19 (7) The secretary of revenue shall adopt rules and regulations nec-  
20 essary to administer the provisions of this subsection;

21 (ll) all sales of educational materials purchased for distribution to the  
22 public at no charge by a nonprofit corporation organized for the purpose  
23 of encouraging, fostering and conducting programs for the improvement  
24 of public health;

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

29 (nn) except as otherwise provided in this act, all sales of services ren-  
30 dered by an advertising agency or licensed broadcast station or any mem-  
31 ber, agent or employee thereof;

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

35 (pp) all sales of drill bits and explosives actually utilized in the explo-  
36 ration and production of oil or gas;

37 (qq) all sales of tangible personal property and services purchased by  
38 a nonprofit museum or historical society or any combination thereof, in-  
39 cluding a nonprofit organization which is organized for the purpose of  
40 stimulating public interest in the exploration of space by providing edu-  
41 cational information, exhibits and experiences, which is exempt from fed-  
42 eral income taxation pursuant to section 501(c)(3) of the federal internal  
43 revenue code of 1986;

1 (rr) all sales of tangible personal property which will admit the pur-  
2 chaser thereof to any annual event sponsored by a nonprofit organization  
3 which is exempt from federal income taxation pursuant to section  
4 501(c)(3) of the federal internal revenue code of 1986;

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

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

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

16 (vv) all sales of tangible personal property purchased by any of the  
17 following organizations which are exempt from federal income taxation  
18 pursuant to section 501 (c)(3) of the federal internal revenue code of  
19 1986, for the following purposes, and all sales of any such property by or  
20 on behalf of any such organization for any such purpose:

21 (1) The American Heart Association, Kansas Affiliate, Inc. for the  
22 purposes of providing education, training, certification in emergency car-  
23 diac care, research and other related services to reduce disability and  
24 death from cardiovascular diseases and stroke;

25 (2) the Kansas Alliance for the Mentally Ill, Inc. for the purpose of  
26 advocacy for persons with mental illness and to education, research and  
27 support for their families;

28 (3) the Kansas Mental Illness Awareness Council for the purposes of  
29 advocacy for persons who are mentally ill and to education, research and  
30 support for them and their families;

31 (4) the American Diabetes Association Kansas Affiliate, Inc. for the  
32 purpose of eliminating diabetes through medical research, public edu-  
33 cation focusing on disease prevention and education, patient education  
34 including information on coping with diabetes, and professional education  
35 and training;

36 (5) the American Lung Association of Kansas, Inc. for the purpose of  
37 eliminating all lung diseases through medical research, public education  
38 including information on coping with lung diseases, professional educa-  
39 tion and training related to lung disease and other related services to  
40 reduce the incidence of disability and death due to lung disease; and

41 (6) the Kansas chapters of the Alzheimer's Disease and Related Dis-  
42 orders Association, Inc. for the purpose of providing assistance and sup-  
43 port to persons in Kansas with Alzheimer's disease, and their families and



1 caregivers;

2 (ww) all sales of tangible personal property purchased by the Habitat  
3 for Humanity for the exclusive use of being incorporated within a housing  
4 project constructed by such organization;

5 (xx) all sales of tangible personal property and services purchased by  
6 a nonprofit zoo which is exempt from federal income taxation pursuant  
7 to section 501(c)(3) of the federal internal revenue code of 1986, or on  
8 behalf of such zoo by an entity itself exempt from federal income taxation  
9 pursuant to section 501(c)(3) of the federal internal revenue code of 1986  
10 contracted with to operate such zoo and all sales of tangible personal  
11 property or services purchased by a contractor for the purpose of con-  
12 structing, equipping, reconstructing, maintaining, repairing, enlarging,  
13 furnishing or remodeling facilities for any nonprofit zoo which would be  
14 exempt from taxation under the provisions of this section if purchased  
15 directly by such nonprofit zoo or the entity operating such zoo. Nothing  
16 in this subsection shall be deemed to exempt the purchase of any con-  
17 struction machinery, equipment or tools used in the constructing, equip-  
18 ping, reconstructing, maintaining, repairing, enlarging, furnishing or re-  
19 modeling facilities for any nonprofit zoo. When any nonprofit zoo shall  
20 contract for the purpose of constructing, equipping, reconstructing, main-  
21 taining, repairing, enlarging, furnishing or remodeling facilities, it shall  
22 obtain from the state and furnish to the contractor an exemption certifi-  
23 cate for the project involved, and the contractor may purchase materials  
24 for incorporation in such project. The contractor shall furnish the number  
25 of such certificate to all suppliers from whom such purchases are made,  
26 and such suppliers shall execute invoices covering the same bearing the  
27 number of such certificate. Upon completion of the project the contractor  
28 shall furnish to the nonprofit zoo concerned a sworn statement, on a form  
29 to be provided by the director of taxation, that all purchases so made were  
30 entitled to exemption under this subsection. All invoices shall be held by  
31 the contractor for a period of five years and shall be subject to audit by  
32 the director of taxation. If any materials purchased under such a certifi-  
33 cate are found not to have been incorporated in the building or other  
34 project or not to have been returned for credit or the sales or compen-  
35 sating tax otherwise imposed upon such materials which will not be so  
36 incorporated in the building or other project reported and paid by such  
37 contractor to the director of taxation not later than the 20th day of the  
38 month following the close of the month in which it shall be determined  
39 that such materials will not be used for the purpose for which such cer-  
40 tificate was issued, the nonprofit zoo concerned shall be liable for tax on  
41 all materials purchased for the project, and upon payment thereof it may  
42 recover the same from the contractor together with reasonable attorney  
43 fees. Any contractor or any agent, employee or subcontractor thereof,

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

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

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

20 (aaa) all sales of tangible personal property and services purchased  
21 by a religious organization which is exempt from federal income taxation  
22 pursuant to section 501(c)(3) of the federal internal revenue code, and  
23 used exclusively for religious purposes, and all sales of tangible personal  
24 property or services purchased by a contractor for the purpose of con-  
25 structing, equipping, reconstructing, maintaining, repairing, enlarging,  
26 furnishing or remodeling facilities for any such organization which would  
27 be exempt from taxation under the provisions of this section if purchased  
28 directly by such organization. Nothing in this subsection shall be deemed  
29 to exempt the purchase of any construction machinery, equipment or  
30 tools used in the constructing, equipping, reconstructing, maintaining,  
31 repairing, enlarging, furnishing or remodeling facilities for any such or-  
32 ganization. When any such organization shall contract for the purpose of  
33 constructing, equipping, reconstructing, maintaining, repairing, enlarg-  
34 ing, furnishing or remodeling facilities, it shall obtain from the state and  
35 furnish to the contractor an exemption certificate for the project involved,  
36 and the contractor may purchase materials for incorporation in such pro-  
37 ject. The contractor shall furnish the number of such certificate to all  
38 suppliers from whom such purchases are made, and such suppliers shall  
39 execute invoices covering the same bearing the number of such certifi-  
40 cate. Upon completion of the project the contractor shall furnish to such  
41 organization concerned a sworn statement, on a form to be provided by  
42 the director of taxation, that all purchases so made were entitled to ex-  
43 emption under this subsection. All invoices shall be held by the contractor

1 for a period of five years and shall be subject to audit by the director of  
2 taxation. If any materials purchased under such a certificate are found  
3 not to have been incorporated in the building or other project or not to  
4 have been returned for credit or the sales or compensating tax otherwise  
5 imposed upon such materials which will not be so incorporated in the  
6 building or other project reported and paid by such contractor to the  
7 director of taxation not later than the 20th day of the month following  
8 the close of the month in which it shall be determined that such materials  
9 will not be used for the purpose for which such certificate was issued,  
10 such organization concerned shall be liable for tax on all materials pur-  
11 chased for the project, and upon payment thereof it may recover the same  
12 from the contractor together with reasonable attorney fees. Any contrac-  
13 tor or any agent, employee or subcontractor thereof, who shall use or  
14 otherwise dispose of any materials purchased under such a certificate for  
15 any purpose other than that for which such a certificate is issued without  
16 the payment of the sales or compensating tax otherwise imposed upon  
17 such materials, shall be guilty of a misdemeanor and, upon conviction  
18 therefor, shall be subject to the penalties provided for in subsection (g)  
19 of K.S.A. 79-3615, and amendments thereto. Sales tax paid on and after  
20 July 1, 1998, but prior to the effective date of this act upon the gross  
21 receipts received from any sale exempted by the amendatory provisions  
22 of this subsection shall be refunded. Each claim for a sales tax refund  
23 shall be verified and submitted to the director of taxation upon forms  
24 furnished by the director and shall be accompanied by any additional  
25 documentation required by the director. The director shall review each  
26 claim and shall refund that amount of sales tax paid as determined under  
27 the provisions of this subsection. All refunds shall be paid from the sales  
28 tax refund fund upon warrants of the director of accounts and reports  
29 pursuant to vouchers approved by the director or the director's designee;

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

36 (ccc) on and after July 1, 1999, all sales of tangible personal property  
37 and services purchased by a primary care clinic or health center the pri-  
38 mary purpose of which is to provide services to medically underserved  
39 individuals and families, and which is exempt from federal income taxa-  
40 tion pursuant to section 501 (c)(3) of the federal internal revenue code,  
41 and all sales of tangible personal property or services purchased by a  
42 contractor for the purpose of constructing, equipping, reconstructing,  
43 maintaining, repairing, enlarging, furnishing or remodeling facilities for

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

38 (ddd) on and after January 1, 1999, and before January 1, 2000, all  
39 sales of materials and services purchased by any class II or III railroad as  
40 classified by the federal surface transportation board for the construction,  
41 renovation, repair or replacement of class II or III railroad track and  
42 facilities used directly in interstate commerce. In the event any such track  
43 or facility for which materials and services were purchased sales tax ex-

1 empty is not operational for five years succeeding the allowance of such  
2 exemption, the total amount of sales tax which would have been payable  
3 except for the operation of this subsection shall be recouped in accord-  
4 ance with rules and regulations adopted for such purpose by the secretary  
5 of revenue;

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

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

26 (ggg) all sales of tangible personal property and services purchased  
27 by or on behalf of the Kansas Academy of Science which is exempt from  
28 federal income taxation pursuant to section 501(c)(3) of the federal in-  
29 ternal revenue code of 1986, and used solely by such academy for the  
30 preparation, publication and dissemination of education materials.

31 Sec. 7. K.S.A. 2000 Supp. 79-3606 is hereby repealed.

32 Sec. 8. This act shall take effect and be in force from and after its  
33 publication in the Kansas register.

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