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4 **SENATE BILL No. 264**

5  
6 By Committee on Agriculture

7  
8 2-7  
9

10 AN ACT concerning the equus beds groundwater management district  
11 no. 2; relating to the powers, duties and operation of the district;  
12 amending K.S.A. 82a-1021 and K.S.A. 2000 Supp. 79-201a and 79-  
13 3606 and repealing the existing sections.  
14

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

16 New Section 1. The following terms when used in this act shall have  
17 the limitations and meanings respectively ascribed to them in this section:

18 (a) "Agricultural groundwater user" means a groundwater user that  
19 uses water for growing crops, raising livestock or other uses associated  
20 with a farming operation.

21 (b) "Aquifer" means any geological formation capable of yielding wa-  
22 ter in sufficient quantities that it can be extracted for beneficial purposes.

23 (c) "Board" means the board of directors constituting the governing  
24 body of the equus beds groundwater management district.

25 (d) "Chief engineer" means the chief engineer of the division of water  
26 resources of the Kansas state board of agriculture.

27 (e) "District" means the equus beds groundwater management dis-  
28 trict, organized as groundwater management district no. 2 in 1976 under  
29 the provisions of K.S.A. 82a-1020 et seq., and amendments thereto, as  
30 such district is shown by the records of the state of Kansas on the effective  
31 date of this act and as the area may be increased or decreased from time  
32 to time.

33 (f) "Eligible voter" means any person who is a landowner or a water  
34 user as defined in this act except as hereafter qualified. Every natural  
35 person of the age of 18 years or upward shall be an eligible voter of the  
36 district if (1) such natural person is a landowner who owns, of record, any  
37 land, or any interest in land, comprising 40 or more contiguous acres  
38 located within the boundaries of the district and not within the corporate  
39 limits of any municipality, or (2) such natural person withdraws or uses  
40 groundwater from within the boundaries of the district in an amount of  
41 one acre-foot or more per year.

42 Except as is hereafter qualified, every public or private corporation  
43 shall be an eligible voter of the district either (1) if it is a landowner who

1 owns of record any land, or any interest in land, comprised of 40 or more  
2 contiguous acres located within the boundaries of the district and not  
3 within the corporate limits of any municipality, or (2) if it is a corporation  
4 that withdraws groundwater from within the district in an amount of one  
5 acre-foot or more per year.

6 Each tract of land of 40 or more contiguous acres and each quantity  
7 of water withdrawn or used in an amount of one acre-foot or more per  
8 year shall be represented by but a single eligible voter. If the land is held  
9 by lease, under an estate for years, under contract, or otherwise, the fee  
10 owner shall be the one entitled to vote, unless the parties in interest agree  
11 otherwise. If the land is held jointly or in common, the majority in interest  
12 shall determine which natural person or corporation shall be entitled to  
13 vote. Each qualified voter shall be entitled to cast only one vote. A person  
14 duly authorized to act in a representative capacity for estates, trusts, mu-  
15 nicipalities, public corporations or private corporations may also cast one  
16 vote for each estate, trust, municipality, or public or private corporations  
17 so represented. Nothing herein shall be construed to authorize proxy  
18 voting.

19 Any landowner who is not a water user may have the landowner's land  
20 excluded from any district assessments and thereby abandon the land-  
21 owner's right to vote on district matters by serving a written notice of  
22 election of exclusion with the steering committee or the board. Such a  
23 landowner may again become an eligible voter by becoming a water user  
24 or by serving a written notice of inclusion on the board stating that the  
25 landowner has elected to be reinstated as a voting member of the district  
26 and will be subject to district assessments.

27 Any eligible voter who is a landowner or water user as defined in this  
28 act, and also is the owner of a tract or tracts of land comprising not less  
29 than 640 acres in area, located within the boundaries of the district, on  
30 which no water is being used or from which no water is being withdrawn,  
31 may have such tract or tracts of land on or from which no water is used  
32 or withdrawn, excluded from district assessment in the manner described  
33 above.

34 All notices of inclusion or exclusion of land shall be submitted to the  
35 board not later than January 1 of the effective year.

36 (g) "Groundwater" means water below the surface of the earth.

37 (h) "Groundwater user" means any person who is withdrawing or  
38 using groundwater from a point of diversion within the boundaries of the  
39 district in an amount not less than one acre-foot per year. If a municipality  
40 is a groundwater user within the district, it shall represent all persons  
41 within its corporate limits who are not groundwater users.

42 (i) "Industrial groundwater user" means a groundwater user utilizing  
43 water in connection with the manufacture, production, transport, mining

1 or storage of products, or the use of water in connection with providing  
2 commercial services, including water used in connection with the gen-  
3 eration or production of energy and thermal exchange.

4 (j) “Land” means real property as that term is defined by the laws of  
5 the state of Kansas.

6 (k) “Landowner” means the person who is the record owner of any  
7 real estate within the boundaries of the district or who has an interest  
8 therein as contract purchaser of 40 or more contiguous acres in the district  
9 not within the corporate limits of any municipality. Owners of oil leases,  
10 gas leases, mineral rights, easements or mortgages shall not be considered  
11 landowners by reason of such ownership.

12 (l) “Management program” means a written report describing the  
13 characteristics of the district and the nature and methods of dealing with  
14 groundwater supply problems within the district. It shall include infor-  
15 mation as to the groundwater management program to be undertaken by  
16 the district and such maps, geological information, and other data as may  
17 be necessary for the formulation of such a program.

18 (m) “Municipal groundwater user” means a groundwater user oper-  
19 ating a common water delivery system for an incorporated city.

20 (n) “Person” means any natural person, private corporation, or mu-  
21 nicipality, or other public corporation.

22 (o) “Point of diversion” means the point at which water is diverted  
23 from a groundwater supply source.

24 (p) “Water right” shall have the meaning ascribed to that term in  
25 K.S.A. 82a-701, and any acts amendatory thereof or supplemental thereto.

26 (q) “Water user” means any person who is withdrawing or using  
27 groundwater from within the boundaries of the district in an amount not  
28 less than one acre-foot per year. If a municipality is a water user within  
29 the district, it shall represent all persons within its corporate limits who  
30 are not water users as defined above.

31 New Sec. 2. (a) The district shall enjoy separate statutory authority  
32 pursuant to this act.

33 (b) No action attacking the legality of the incorporation of the district  
34 shall be maintained unless commenced within 90 days after the effective  
35 date of this act and any alleged illegality of the incorporation of the district  
36 shall not be interposed as a defense to any action brought after that time.

37 New Sec. 3. (a) The board shall hold an annual meeting for the elec-  
38 tion of directors whose terms expire, to report on the financial condition  
39 and activities of the district and to adopt a proposed budget covering the  
40 anticipated expenses of the district for the ensuing year.

41 (b) The date of the annual meeting may be changed at any annual  
42 meeting if notice of the proposition is included in the notice of the annual  
43 meeting at which the changes are to be considered.

1 (c) A notice of the meeting shall be given by the board at least 10  
2 days prior to the meeting date by one publication in a newspaper of  
3 general circulation in each of the counties of which the groundwater man-  
4 agement district is a part.

5 (d) Each eligible voter of the district shall be entitled to vote for as  
6 many candidates as the number of directors that are to be elected but  
7 may not cast more than one vote for any one candidate.

8 (e) The candidates receiving the greatest number of votes cast for  
9 industrial groundwater user, municipal groundwater user, agricultural  
10 groundwater user or other eligible voters shall respectively be declared  
11 elected.

12 New Sec. 4. (a) All powers granted to the district under the provi-  
13 sions of this act shall be exercised by an elected board of directors which  
14 shall be composed of nine natural persons. Each director shall be an  
15 eligible voter and shall serve for a period of three years and until a suc-  
16 cessors is duly elected and qualified. The directors shall serve without  
17 compensation but shall be allowed actual and necessary expenses incurred  
18 in the performance of their official duties.

19 (b) The board, after being duly elected, shall elect annually from its  
20 number a president, a vice-president, a secretary, and a treasurer.

21 (c) A majority of the directors shall constitute a quorum for the trans-  
22 action of business and a majority of those voting shall determine all actions  
23 taken by the board. In the absence of any of the duly elected officers,  
24 those directors present at any meeting may select a director to act as an  
25 officer pro tem.

26 (d) The board shall fill any vacancy occurring on the board prior to  
27 the expiration of the term of any director by selecting a replacement  
28 having the same qualifications from among the eligible voters of the dis-  
29 trict to serve for the unexpired term.

30 (e) The board shall consist of natural persons representative of in-  
31 dustrial groundwater users, agricultural groundwater users, municipal  
32 groundwater users and other eligible voters as follows:

33 (1) A minimum of three board members shall be municipal ground-  
34 water users;

35 (2) a minimum of three board members shall be agricultural ground-  
36 water users;

37 (3) a minimum of one board member shall be an industrial ground-  
38 water user; and

39 (4) all remaining board members shall be eligible voters.

40 (f) The board shall also serve terms that assure that no more than  $\frac{1}{3}$   
41 of the board will be elected in any annual meeting.

42 (g) The board shall adopt a standard and policy that provides for  
43 elections of the members of the board consistent with the provisions of

1 this act.

2 New Sec. 5. The district shall be a body politic and corporate and  
3 shall have the power to:

4 (a) Adopt a seal;

5 (b) sue and be sued in its corporate name;

6 (c) rent space, maintain and equip an office, and pay other adminis-  
7 trative expenses;

8 (d) employ such legal, engineering, technical, and clerical services as  
9 may be deemed necessary by the board;

10 (e) purchase, hold, sell and convey land, water rights and personal  
11 property, and execute such contracts as may, in the opinion of the board,  
12 be deemed necessary or convenient;

13 (f) acquire land and interests in land by gift, exchange or eminent  
14 domain, the power of eminent domain to be exercised within the bound-  
15 aries of the district in like manner as provided by K.S.A. 26-501 to 26-  
16 516, and amendments thereto, except that any land holdings acquired  
17 pursuant hereto or in accordance with the provisions of the next preced-  
18 ing subsection shall not in the aggregate exceed 1,000 acres. In any case  
19 where a district has land holdings in excess of the described limitation,  
20 the district shall dispose of such excess in a reasonable and expeditious  
21 manner;

22 (g) construct, operate and maintain such works as may be determined  
23 necessary for drainage, recharge, storage, distribution or importation of  
24 water, and all other appropriate facilities of concern to the district;

25 (h) levy water user charges and land assessments, issue general and  
26 special bonds and incur indebtedness within the limitations prescribed by  
27 this act;

28 (i) contract with persons, firms, associations, partnerships, corpora-  
29 tions or agencies of the state or federal government, and enter into co-  
30 operative agreements with any of them;

31 (j) take appropriate actions to extend or reduce the territories of the  
32 district as prescribed by this act;

33 (k) construct and establish research, development, and demonstra-  
34 tion projects, and collect and disseminate research data and technical  
35 information concerning the conservation of groundwater;

36 (l) install or require the installation of meters, gauges, or other meas-  
37 uring devices and read or require water users to read and report those  
38 readings as may be necessary to determine the quantity of water  
39 withdrawn;

40 (m) provide advice and assistance in the management of drainage  
41 problems, storage, groundwater recharge, surface water management,  
42 and all other appropriate matters of concern to the district;

43 (n) adopt, amend, promulgate, and enforce by suitable action, ad-

1 ministrative or otherwise, reasonable standards and policies relating to  
2 the conservation and management of groundwater within the district  
3 which are not inconsistent with the provisions of this act or article 7 of  
4 chapter 82a of the Kansas Statutes Annotated, and all acts amendatory  
5 thereof or supplemental thereto;

6 (o) recommend to the chief engineer rules and regulations necessary  
7 to implement and enforce the policies of the board. Such rules and reg-  
8 ulations shall be of no force and effect unless and until adopted by the  
9 chief engineer to implement the provisions of article 7 of chapter 82a of  
10 the Kansas Statutes Annotated, and all acts amendatory thereof or sup-  
11 plemental thereto. All such regulations adopted shall be effective only  
12 within a specified district;

13 (p) enter upon private property within the district for inspection pur-  
14 poses, to determine conformance of the use of water with established  
15 rules and regulations, including measurements of flow, depth of water,  
16 water wastage and for such other purposes as are necessary and not in-  
17 consistent with the purposes of this act;

18 (q) select a residence or home office for the groundwater manage-  
19 ment district which shall be at a place in a county in which the district or  
20 any part thereof is located and may be either within or without the bound-  
21 aries of the district. The board shall designate the county in which the  
22 residence or home office is located as the official county for the filing of  
23 all official acts and assessments;

24 (r) seek and accept grants or other financial assistance that the federal  
25 government and other public or private sources shall make available and  
26 to utilize the same to carry out the purposes and functions of the district;  
27 and

28 (s) recommend to the chief engineer the initiation of proceedings for  
29 the designation of a certain area within the district as an intensive ground-  
30 water use control area.

31 New Sec. 6. The board shall prepare a management program. Upon  
32 completion of the management program the board shall transmit a copy  
33 to the chief engineer with a request for the chief engineer's approval.  
34 The chief engineer shall examine and study the management program  
35 and, if the chief engineer finds that it is compatible with article 7 of  
36 chapter 82a of the Kansas Statutes Annotated, and amendments thereto,  
37 and any other state laws or policies, the chief engineer shall approve it  
38 and notify the board of the chief engineer's action. When the manage-  
39 ment program is approved by the chief engineer, the board shall fix a  
40 time and place either within or conveniently near the district for a public  
41 hearing upon the management program. A notice of the hearing shall be  
42 given by one publication in a newspaper or newspapers of general cir-  
43 culation within the district, at least 28 days prior to the date fixed for the

1 hearing, setting forth the time and place of the hearing. The notice shall  
2 state that a copy of the management program is available for public in-  
3 spection in the office of the secretary of the district. Any person desiring  
4 to be heard in the matter must file, in duplicate, with the board at its  
5 office at least five days before the date of the hearing a written statement  
6 of the person's intent to appear at the hearing and the substance of the  
7 testimony the person wishes to present. Upon receipt of any such state-  
8 ments, the board shall immediately transmit one copy of the statements  
9 to the chief engineer. The chief engineer or the chief engineer's duly  
10 appointed representative shall attend the hearing. At the hearing any per-  
11 son who has duly filed a written statement shall be heard and may present  
12 information in support of the person's position in the matter. After hear-  
13 ing and considering all relevant testimony and information, the board by  
14 resolution shall adopt, modify or reject the management program. The  
15 board shall then notify the chief engineer of its action. If it is determined  
16 that the management program should be modified, any proposed changes  
17 approved by the board shall be incorporated in a modified management  
18 program which shall be submitted to the chief engineer for further con-  
19 sideration. The chief engineer shall review the modified management  
20 program and shall transmit a supplemental written report of the results  
21 of the chief engineer's study and investigation to the board, including the  
22 chief engineer's written approval or disapproval of the modified manage-  
23 ment program. If the modified management program is approved by the  
24 chief engineer, the board shall by resolution adopt it as the official man-  
25 agement program of the district and notify the chief engineer of its action.  
26 The board shall periodically and at least once each year review the offi-  
27 cially adopted management program. Following that review, the board  
28 shall either reaffirm adoption of the management program or propose  
29 that it be revised. If it is proposed that the management program be  
30 revised, the board shall follow the same procedure towards adoption of  
31 a revised management program as is prescribed above for the preparation,  
32 approval and adoption of the original management program.

33 New Sec. 7. (a) In order to finance the operations of the district, the  
34 board may assess an annual water user charge against every person who  
35 withdraws groundwater from within the boundaries of the district. The  
36 board shall base such charge upon the amount of groundwater allocated  
37 for such person's use pursuant to such person's water right. Such charge  
38 shall not exceed ~~\$.98~~ **\$1.19** for each acre-foot (325,851 gallons) of  
39 groundwater withdrawn within the district or allocated by the water right.  
40 Whenever a person shows by the submission to the board of a verified  
41 claim and any supportive data which may be required by the board that  
42 the person's actual annual groundwater withdrawal is in a lesser amount  
43 than that allocated by the water right of such person, the board shall assess

1 such annual charge against such person on the amount of water shown  
2 to be withdrawn by the verified claim. Any such claim shall be submitted  
3 by April 1 of the year in which such annual charge is to be assessed. The  
4 board may also make an annual assessment against each landowner of not  
5 to exceed \$.05 for each acre of land owned within the boundaries of the  
6 district. Special assessments may also be levied, as provided hereafter,  
7 against land specially benefitted by a capital improvement without regard  
8 to the limits prescribed above.

9 (b) Before any assessment is made, or user charge imposed, the board  
10 shall submit the proposed budget for the ensuing year to the eligible  
11 voters of the district at a hearing called for that purpose by one publication  
12 in a newspaper or newspapers of general circulation within the district at  
13 least 28 days prior to the meeting. Following the hearing, the board shall,  
14 by resolution, adopt either the proposed budget or a modified budget  
15 and determine the amount of land assessment or user charge, or both,  
16 needed to support such budget.

17 (c) Both the user charges assessed for groundwater withdrawn and  
18 the assessments against lands within the district shall be certified to the  
19 proper county clerks and collected the same as other taxes in accordance  
20 with K.S.A. 79-1801, and amendments thereto, and the amount thereof  
21 shall attach to the real property involved as a lien in accordance with  
22 K.S.A. 79-1804, and amendments thereto. All moneys so collected shall  
23 be remitted by the county treasurer to the treasurer of the groundwater  
24 management district who shall deposit them to the credit of the general  
25 fund of the district. The accounts of the district shall be audited annually  
26 by a public accountant or certified public accountant.

27 (d) The board shall be authorized to issue no-fund warrants in  
28 amounts sufficient to meet the operating expenses of the district until  
29 money therefor becomes available pursuant to user charges or assess-  
30 ments under subsection (a). In no case shall the amount of any such  
31 issuance be in excess of 20% of the total amount of money receivable  
32 from assessments which could be levied in any one year as provided in  
33 subsection (a). No such warrants shall be issued until a resolution au-  
34 thORIZING the issuance has been adopted by the board and published once  
35 in a newspaper having a general circulation in each county within the  
36 boundaries of the district. Whereupon such warrants may be issued unless  
37 a petition in opposition to the same, signed by not less than 10% of the  
38 eligible voters of such district and in no case by less than 20 of the eligible  
39 voters of such district, is filed with the county clerk of each of the counties  
40 in such district within 10 days following such publication. In the event  
41 such a petition is filed, it shall be the duty of the board of such district  
42 to submit the question to the eligible voters at an election called for such  
43 purpose. Such election shall be noticed and conducted as provided by



1 subsection (a) of section 8, and amendments thereto.

2 Whenever no-fund warrants are issued under the authority of this sub-  
3 section, the board shall make an assessment each year for three years in  
4 approximately equal installments for the purpose of paying such warrants  
5 and the interest thereon. All such assessments shall be in addition to all  
6 other assessments authorized or limited by law. Such warrants shall be  
7 issued, registered, redeemed and bear interest in the manner and in the  
8 form prescribed by K.S.A. 79-2940, and amendments thereto, except they  
9 shall not bear the notation required by said statute and may be issued  
10 without the approval of the state board of tax appeals. Any surplus existing  
11 after the redemption of such warrants shall be handled in the manner  
12 prescribed by K.S.A. 79-2940, and amendments thereto.

13 New Sec. 8. (a) If the board by resolution provides that all or any  
14 part of the capital cost of works of improvement within the district is to  
15 be paid by the issuance of general improvement bonds of the entire dis-  
16 trict, it shall be the duty of the board to submit the question of approval  
17 of the bond issue to the eligible voters of the district. Notice of the time,  
18 place and purpose for which the election is to be held shall be given by  
19 one publication in a newspaper or newspapers of general distribution  
20 within the district at least 28 days prior to the date fixed for the election.  
21 Except as hereinbefore provided, the election shall be held and con-  
22 ducted by the board in the manner prescribed by K.S.A. 82a-1025, and  
23 amendments thereto, for conducting and holding the election for the  
24 organization of a groundwater management district.

25 (b) If the board by resolution provides that all or any part of the  
26 capital cost of works of improvement is to be paid by the issuance of  
27 improvement bonds to be funded by special assessment against the lands  
28 specially benefited by a project, the board shall proceed to determine the  
29 particular lands within the district upon which special assessments are to  
30 be levied and it shall be the duty of the board to submit the question of  
31 approval of the bond issue to an election of the owners of those lands.  
32 Notice of the time and place and the purpose for which the election is to  
33 be held shall be given by one publication in a newspaper or newspapers  
34 of general circulation within the district at least 28 days prior to the date  
35 of the election. Except as hereinbefore provided, the election shall be  
36 held and conducted in the manner prescribed in subsection (a) of this  
37 section. If it is proposed to issue improvement bonds to be paid partially  
38 by the entire district and partially by lands specially benefited, it shall be  
39 the duty of the board of directors to submit each question for approval  
40 separately.

41 New Sec. 9. If a resolution of the board provides that all or any part  
42 of the cost of the works contemplated is to be paid by special assessment  
43 against lands specially benefited by a project, the board shall appoint three

1 disinterested appraisers who shall recommend apportionment of the spe-  
2 cial assessment to the tracts of land subject to the special assessment. The  
3 appraisers shall have access to all available engineering reports and data  
4 pertaining to the works contemplated and may request additional engi-  
5 neering data or counsel necessary to carry out their duties. The appraisers  
6 shall take an oath to appraise fairly and impartially the benefits accruing  
7 to each tract of land and shall recommend the apportionment of assess-  
8 ment according to the relative benefits to be received by the several tracts  
9 of land subject to assessment. They shall make a written report of their  
10 findings to the board. Upon receiving the report, the board shall prepare  
11 a resolution which shall contain a list of the tracts of land found to be  
12 specially benefited and the amount of assessment to be levied against  
13 each tract. No assessment so specified against any tract of land shall ex-  
14 ceed the estimated benefits to the land by the project. Each tract of land  
15 shall be legally described and the name of its owner or owners shall be  
16 set forth beside the description of each tract listed. After adopting the  
17 resolution, the board shall fix a time and place for hearing any complaint  
18 that may be made as to the estimated benefit to any tract of land appraised  
19 and a notice of the hearing shall be given by the board by one publication  
20 in a newspaper or newspapers of general circulation within the district at  
21 least 10 days prior to the date set for the hearing. The board at the hearing  
22 may alter the estimated benefit to any tract of land if, in its judgment,  
23 the benefit has been appraised too high or too low. The board shall im-  
24 mediately thereafter pass a resolution fixing the benefit to be assigned to  
25 each tract of land and providing for the benefit assessment thereof, which  
26 sum may be spread equally over a period of not to exceed 20 years. The  
27 board shall immediately thereafter mail a written notice of the assessment  
28 to the owner or owners of each tract of land. The notice shall state that  
29 if the assessment is not paid in full within 30 days from the date of notice,  
30 bonds will be issued and an assessment will be levied annually against the  
31 tract of land for a period of not to exceed 20 years in an amount sufficient  
32 to pay the total assessment plus the interest due on the bonds. No action  
33 to set aside the assessment shall be maintained unless commenced within  
34 90 days from the date of the notice. The amount assessed against each  
35 tract of ground to pay for the special assessment bonds falling due each  
36 year and the interest thereon shall be levied, certified to the proper  
37 county clerk, and collected the same as other taxes.

38 New Sec. 10. (a) The chief engineer shall have the power, upon  
39 proper petition being presented by the board for that purpose, to extend  
40 or reduce the territory of the district. The petition to extend or reduce  
41 the territory of the district shall be addressed to the chief engineer and  
42 shall:

43 (1) Describe the territory to be annexed or removed by township,

1 range and section numbers and fraction thereof and other platted areas  
2 as appropriate.

3 (2) Have a map attached thereto as an exhibit, and incorporated  
4 therein by reference, showing the district and the lands proposed to be  
5 annexed or removed.

6 (3) Show that the proposed extension or reduction of territory has  
7 been recommended by the district by resolution duly adopted by the  
8 board.

9 (b) The chief engineer shall fix a time for a hearing upon the petition  
10 and the district shall give notice thereof for three consecutive weeks in a  
11 newspaper or newspapers of general circulation within the district, the  
12 first publication to be at least 28 days before the day fixed for the hearing.  
13 The notice shall state the name and general location of the district and  
14 describe the lands proposed to be annexed or removed. It shall state that  
15 a hearing will be held on whether the petition of the district should be  
16 approved. It shall state the day, hour and place of the hearing, which shall  
17 be at a suitable location, and that all persons may appear before the chief  
18 engineer at the hearing and be heard.

19 (c) After the hearing the chief engineer shall approve such petition  
20 if the chief engineer finds that:

21 (1) The lands proposed to be included in the district substantially  
22 comprise a hydrologic community of interest.

23 (2) The proposed area would not include any of the lands of an ex-  
24 isting groundwater management district.

25 (3) The proposed area to be included or part thereof overlies an aq-  
26 uifer or aquifers subject to management.

27 (4) The map attached to the petition is substantially correct.

28 (5) The proposed area and existing and prospective uses of ground-  
29 water within the proposed area and the existing district are sufficient to  
30 support a groundwater management program.

31 (6) The public interest will be served by the annexation or reduction  
32 of the district.

33 (d) The chief engineer shall fix the time when the annexation or re-  
34 duction of territory shall become effective. A certified copy of the chief  
35 engineer's order approving the petition shall be sent to the board of di-  
36 rectors and to the secretary of state. The board of directors shall file a  
37 copy of the order for record in the office of the register of deeds of each  
38 county in which the district, as modified, or any part thereof lies.

39 New Sec. 11. (a) Whenever the board finds reasons for the dissolu-  
40 tion of the district, the board may, by resolution adopted by a  $\frac{2}{3}$  vote of  
41 all members of the board at a special meeting of the board called for that  
42 purpose, notice of which shall specify the purpose for which the meeting  
43 is to be called, provide for the calling of an election of the eligible voters

1 of the district for the purpose of determining whether the district shall  
2 be dissolved. The board shall also provide for the calling of an election if  
3 written petitions therefor, signed by 20% of the eligible voters of the  
4 district, are filed with the secretary of the board. The election to deter-  
5 mine whether the district shall be dissolved shall be held and conducted  
6 by the board in the same manner as provided for conducting the election  
7 for the organization of the district insofar as those provisions can be made  
8 applicable. If a majority of the votes cast are in favor of dissolution of the  
9 district, the board shall immediately certify the results of the election to  
10 the secretary of state who shall thereupon issue and deliver to the sec-  
11 retary of the board a certificate of dissolution.

12 (b) Upon receipt from the secretary of state of the certificate of dis-  
13 solution of the district, the secretary of the board shall notify the board  
14 of the certification and the board shall immediately pay all obligations of  
15 the district, including all costs incurred by the district, the chief engineer  
16 and the secretary of state in regard to the dissolution proceedings. The  
17 treasurer of the board shall thereupon distribute all moneys in the trea-  
18 surer's hands belonging to the district in the manner prescribed by this  
19 act and immediately after making the distribution the treasurer shall no-  
20 tify the secretary of the board of the distribution. Upon receipt of the  
21 notification the secretary of the board shall have the certificate of disso-  
22 lution published once in a newspaper or newspapers of general circulation  
23 within the district and proof of the publication shall be filed in the office  
24 of the secretary of state. The effective date of the dissolution, unless  
25 otherwise provided, shall be the date on which the proof of publication  
26 is filed in the office of the secretary of state, but in no event shall the  
27 date of dissolution be a date prior to the date of the publication of the  
28 certificate of dissolution. A certified copy of the certificate of dissolution  
29 of the district shall also be recorded in the office of the county clerk of  
30 each county where any portion of the district was located.

31 (c) Any funds or other assets of the district shall be apportioned and  
32 paid to the general fund of any county located within or partially within  
33 the district in the proportion which the assessed valuation of the property  
34 in the district located within the county bears to the total assessed valu-  
35 ation of the district, based on equalized assessed valuations for the pre-  
36 ceding year. The treasurer of the district, upon notification of receipt of  
37 the certificate of dissolution, shall immediately pay the amounts due each  
38 county located within the district to the treasurer of the county.

39 (d) The secretary of the board of the district shall file all minutes and  
40 records of the district with the register of deeds of the county where the  
41 designated office of the district was located.

42 New Sec. 12. Whenever the district recommends the same or when-  
43 ever a petition signed by not less than 300 or by not less than 5% of the

1 eligible voters of the district, whichever is less, is submitted to the chief  
2 engineer, the chief engineer shall initiate, as soon as practicable there-  
3 after, proceedings for the designation of a specifically defined area within  
4 the district as an intensive groundwater use control area. The petition  
5 shall state that the petitioners have reason to believe that any one or more  
6 of the following conditions exist in such groundwater use area: (a)  
7 Groundwater levels in the area in question are declining or have declined  
8 excessively; (b) the rate of withdrawal of groundwater within the area in  
9 question equals or exceeds the rate of recharge in such area; (c) prev-  
10 entable waste of water is occurring or may occur within the area in ques-  
11 tion; (d) unreasonable deterioration of the quality of water is occurring  
12 or may occur within the area in question; or (e) other conditions exist  
13 within the area in question which require regulation in the public interest.

14 New Sec. 13. In any case where proceedings for the designation of  
15 an intensive groundwater use control area within the district are initiated,  
16 the chief engineer shall hold and conduct a public hearing on the question  
17 of designating such an area as an intensive groundwater use control area.  
18 Written notice of the hearing shall be given to every person holding a  
19 water right in the area in question and notice of the hearing shall be given  
20 by one publication in a newspaper or newspapers of general circulation  
21 within the area in question at least 30 days prior to the date set for such  
22 hearing. The notice shall state the question and shall denote the time and  
23 place of the hearing. At the hearing, documentary and oral evidence shall  
24 be taken, and a full and complete record of the same shall be kept.

25 New Sec. 14. (a) In any case where the chief engineer finds that any  
26 one or more of the circumstances set forth in section 12, and amendments  
27 thereto, exist and that the public interest requires that any one or more  
28 corrective controls be adopted, the chief engineer shall designate, by or-  
29 der, the area in question, or any part thereof, as an intensive groundwater  
30 use control area.

31 (b) The order of the chief engineer shall define specifically the  
32 boundaries of the intensive groundwater use control area and shall indi-  
33 cate the circumstances upon which the findings of the chief engineer are  
34 made. The order of the chief engineer may include any one or more of  
35 the following corrective control provisions: (1) A provision closing the  
36 intensive groundwater use control area to any further appropriation of  
37 groundwater in which event the chief engineer shall thereafter refuse to  
38 accept any application for a permit to appropriate groundwater located  
39 within such area; (2) a provision determining the permissible total with-  
40 drawal of groundwater in the intensive groundwater use control area each  
41 day, month or year, and, insofar as may be reasonably done, the chief  
42 engineer shall apportion such permissible total withdrawal among the  
43 valid groundwater right holders in such area in accordance with the rel-

1 ative dates of priority of such rights; (3) a provision reducing the permis-  
2 sible withdrawal of groundwater by any one or more appropriators  
3 thereof, or by wells in the intensive groundwater use control area; (4) a  
4 provision requiring and specifying a system of rotation of groundwater  
5 use in the intensive groundwater use control area; and (5) any one or  
6 more other provisions making such additional requirements as are nec-  
7 essary to protect the public interest.

8 (c) Except as provided by subsection (d), the order of designation of  
9 an intensive groundwater use control area shall be in full force and effect  
10 from the date of its entry in the records of the chief engineer's office  
11 unless and until its operation shall be stayed by an appeal from an order  
12 entered on review of the chief engineer's order pursuant to K.S.A. 2000  
13 Supp. 82a-1901, and amendments thereto, in accordance with the pro-  
14 visions of the act for judicial review and civil enforcement of agency ac-  
15 tions. The chief engineer upon request shall deliver a copy of such order  
16 to any interested person who is affected by such order, and shall file a  
17 copy of the same with the register of deeds of any county within which  
18 such designated control area lies.

19 (d) If the holder of a groundwater right within the area designated  
20 as an intensive groundwater use control area applies for review of the  
21 order of designation pursuant to K.S.A. 2000 Supp. 82a-1901, and amend-  
22 ments thereto, the provisions of the order with respect to the inclusion  
23 of the holder's right within the area may be stayed in accordance with the  
24 Kansas administrative procedure act.

25 New Sec. 15. Nothing in this act shall be construed as limiting or  
26 affecting any duty or power of the chief engineer granted pursuant to the  
27 Kansas water appropriation act.

28 Sec. 16. K.S.A. 2000 Supp. 79-201a is hereby amended to read as  
29 follows: 79-201a. The following described property, to the extent herein  
30 specified, shall be exempt from all property or ad valorem taxes levied  
31 under the laws of the state of Kansas:

32 *First.* All property belonging exclusively to the United States, except  
33 property which congress has expressly declared to be subject to state and  
34 local taxation.

35 *Second.* All property used exclusively by the state or any municipality  
36 or political subdivision of the state. All property owned, being acquired  
37 pursuant to a lease-purchase agreement or operated by the state or any  
38 municipality or political subdivision of the state, including property which  
39 is vacant or lying dormant, which is used or is to be used for any govern-  
40 mental or proprietary function and for which bonds may be issued or  
41 taxes levied to finance the same, shall be considered to be used exclusively  
42 by the state, municipality or political subdivision for the purposes of this  
43 section. The lease by a municipality or political subdivision of the state

1 of any real property owned or being acquired pursuant to a lease-purchase  
2 agreement for the purpose of providing office space necessary for the  
3 performance of medical services by a person licensed to practice medicine  
4 and surgery or osteopathic medicine by the board of healing arts pursuant  
5 to K.S.A. 65-2801 *et seq.*, and amendments thereto, dentistry services by  
6 a person licensed by the Kansas dental board pursuant to K.S.A. 65-1401  
7 *et seq.*, and amendments thereto, optometry services by a person licensed  
8 by the board of examiners in optometry pursuant to K.S.A. 65-1501 *et*  
9 *seq.*, and amendments thereto, or K.S.A. 74-1501 *et seq.*, and amend-  
10 ments thereto, podiatry services by a person licensed by the board of  
11 healing arts pursuant to K.S.A. 65-2001 *et seq.*, and amendments thereto,  
12 or the practice of psychology by a person licensed by the behavioral sci-  
13 ences regulatory board pursuant to K.S.A. 74-5301 *et seq.*, and amend-  
14 ments thereto, shall be construed to be a governmental function, and  
15 such property actually and regularly used for such purpose shall be  
16 deemed to be used exclusively for the purposes of this paragraph. The  
17 lease by a municipality or political subdivision of the state of any real  
18 property, or portion thereof, owned or being acquired pursuant to a lease-  
19 purchase agreement to any entity for the exclusive use by it for an exempt  
20 purpose, including the purpose of displaying or exhibiting personal prop-  
21 erty by a museum or historical society, if no portion of the lease payments  
22 include compensation for return on the investment in such leased prop-  
23 erty shall be deemed to be used exclusively for the purposes of this par-  
24 agraph. All property leased, other than property being acquired pursuant  
25 to a lease-purchase agreement, to the state or any municipality or political  
26 subdivision of the state by any private entity shall not be considered to  
27 be used exclusively by the state or any municipality or political subdivision  
28 of the state for the purposes of this section except that the provisions of  
29 this sentence shall not apply to any such property subject to lease on the  
30 effective date of this act until the term of such lease expires but property  
31 taxes levied upon any such property prior to tax year 1989, shall not be  
32 abated or refunded. Any property constructed or purchased with the pro-  
33 ceeds of industrial revenue bonds issued prior to July 1, 1963, as author-  
34 ized by K.S.A. 12-1740 to 12-1749, or purchased with proceeds of im-  
35 provement district bonds issued prior to July 1, 1963, as authorized by  
36 K.S.A. 19-2776, or with proceeds of bonds issued prior to July 1, 1963,  
37 as authorized by K.S.A. 19-3815a and 19-3815b, or any property im-  
38 proved, purchased, constructed, reconstructed or repaired with the pro-  
39 ceeds of revenue bonds issued prior to July 1, 1963, as authorized by  
40 K.S.A. 13-1238 to 13-1245, inclusive, or any property improved, reim-  
41 proved, reconstructed or repaired with the proceeds of revenue bonds  
42 issued after July 1, 1963, under the authority of K.S.A. 13-1238 to 13-  
43 1245, inclusive, which had previously been improved, reconstructed or

1 repaired with the proceeds of revenue bonds issued under such act on or  
2 before July 1, 1963, shall be exempt from taxation for so long as any of  
3 the revenue bonds issued to finance such construction, reconstruction,  
4 improvement, repair or purchase shall be outstanding and unpaid. Any  
5 property constructed or purchased with the proceeds of any revenue  
6 bonds authorized by K.S.A. 13-1238 to 13-1245, inclusive, 19-2776, 19-  
7 3815a and 19-3815b, and amendments thereto, issued on or after July 1,  
8 1963, shall be exempt from taxation only for a period of 10 calendar years  
9 after the calendar year in which the bonds were issued. Any property, all  
10 or any portion of which is constructed or purchased with the proceeds of  
11 revenue bonds authorized by K.S.A. 12-1740 to 12-1749, inclusive, and  
12 amendments thereto, issued on or after July 1, 1963 and prior to July 1,  
13 1981, shall be exempt from taxation only for a period of 10 calendar years  
14 after the calendar year in which the bonds were issued. Except as here-  
15 inafter provided, any property constructed or purchased wholly with the  
16 proceeds of revenue bonds issued on or after July 1, 1981, under the  
17 authority of K.S.A. 12-1740 to 12-1749, inclusive, and amendments  
18 thereto, shall be exempt from taxation only for a period of 10 calendar  
19 years after the calendar year in which the bonds were issued. Except as  
20 hereinafter provided, any property constructed or purchased in part with  
21 the proceeds of revenue bonds issued on or after July 1, 1981, under the  
22 authority of K.S.A. 12-1740 to 12-1749, inclusive, and amendments  
23 thereto, shall be exempt from taxation to the extent of the value of that  
24 portion of the property financed by the revenue bonds and only for a  
25 period of 10 calendar years after the calendar year in which the bonds  
26 were issued. The exemption of that portion of the property constructed  
27 or purchased with the proceeds of revenue bonds shall terminate upon  
28 the failure to pay all taxes levied on that portion of the property which is  
29 not exempt and the entire property shall be subject to sale in the manner  
30 prescribed by K.S.A. 79-2301 *et seq.*, and amendments thereto. Property  
31 constructed or purchased in whole or in part with the proceeds of revenue  
32 bonds issued on or after January 1, 1995, under the authority of K.S.A.  
33 12-1740 to 12-1749, inclusive, and amendments thereto, and used in any  
34 retail enterprise identified under the standard industrial classification  
35 codes, major groups 52 through 59, inclusive, except facilities used exclu-  
36 sively to house the headquarters or back office operations of such retail  
37 enterprises identified thereunder, shall not be exempt from taxation. For  
38 the purposes of the preceding provision “standard industrial classification  
39 code” means a standard industrial classification code published in the  
40 Standard Industrial Classification manual, 1987, as prepared by the sta-  
41 tistical policy division of the office of management and budget of the  
42 office of the president of the United States. “Headquarters or back office  
43 operations” means a facility from which the enterprise is provided direc-



1 tion, management, administrative services, or distribution or warehousing  
2 functions in support of transactions made by the enterprise. Property  
3 purchased, constructed, reconstructed, equipped, maintained or repaired  
4 with the proceeds of industrial revenue bonds issued under the authority  
5 of K.S.A. 12-1740 *et seq.*, and amendments thereto, which is located in a  
6 redevelopment project area established under the authority of K.S.A. 12-  
7 1770 *et seq.* shall not be exempt from taxation. Property purchased, ac-  
8 quired, constructed, reconstructed, improved, equipped, furnished, re-  
9 paired, enlarged or remodeled with all or any part of the proceeds of  
10 revenue bonds issued under authority of K.S.A. 12-1740 to 12-1749a,  
11 inclusive, and amendments thereto for any poultry confinement facility  
12 on agricultural land which is owned, acquired, obtained or leased by a  
13 corporation, as such terms are defined by K.S.A. 17-5903 and amend-  
14 ments thereto, shall not be exempt from such taxation. Property pur-  
15 chased, acquired, constructed, reconstructed, improved, equipped, fur-  
16 nished, repaired, enlarged or remodeled with all or any part of the  
17 proceeds of revenue bonds issued under the authority of K.S.A. 12-1740  
18 to 12-1749a, inclusive, and amendments thereto, for a rabbit confinement  
19 facility on agricultural land which is owned, acquired, obtained or leased  
20 by a corporation, as such terms are defined by K.S.A. 17-5903 and amend-  
21 ments thereto, shall not be exempt from such taxation.

22 *Third.* All works, machinery and fixtures used exclusively by any rural  
23 water district or township water district for conveying or production of  
24 potable water in such rural water district or township water district, and  
25 all works, machinery and fixtures used exclusively by any entity which  
26 performed the functions of a rural water district on and after January 1,  
27 1990, and the works, machinery and equipment of which were exempted  
28 hereunder on March 13, 1995.

29 *Fourth.* All fire engines and other implements used for the extinguish-  
30 ment of fires, with the buildings used exclusively for the safekeeping  
31 thereof, and for the meeting of fire companies, whether belonging to any  
32 rural fire district, township fire district, town, city or village, or to any fire  
33 company organized therein or therefor.

34 *Fifth.* All property, real and personal, owned by county fair associations  
35 organized and operating under the provisions of K.S.A. 2-125 *et seq.* and  
36 amendments thereto.

37 *Sixth.* Property acquired and held by any municipality under the mu-  
38 nicipal housing law (K.S.A. 17-2337 *et seq.*) and amendments thereto,  
39 except that such exemption shall not apply to any portion of the project  
40 used by a nondwelling facility for profit making enterprise.

41 *Seventh.* All property of a municipality, acquired or held under and for  
42 the purposes of the urban renewal law (K.S.A. 17-4742 *et seq.*) and  
43 amendments thereto except that such tax exemption shall terminate when

1 the municipality sells, leases or otherwise disposes of such property in an  
2 urban renewal area to a purchaser or lessee which is not a public body  
3 entitled to tax exemption with respect to such property.

4 *Eighth.* All property acquired and held by the Kansas armory board for  
5 armory purposes under the provisions of K.S.A. 48-317, and amendments  
6 thereto.

7 *Ninth.* All property acquired and used by the Kansas turnpike authority  
8 under the authority of K.S.A. 68-2001 *et seq.*, and amendments thereto,  
9 K.S.A. 68-2030 *et seq.*, and amendments thereto, K.S.A. 68-2051 *et seq.*,  
10 and amendments thereto, and K.S.A. 68-2070 *et seq.*, and amendments  
11 thereto.

12 *Tenth.* All property acquired and used for state park purposes by the  
13 Kansas department of wildlife and parks.

14 *Eleventh.* The state office building constructed under authority of  
15 K.S.A. 75-3607 *et seq.*, and amendments thereto, and the site upon which  
16 such building is located.

17 *Twelfth.* All buildings erected under the authority of K.S.A. 76-6a01 *et*  
18 *seq.*, and amendments thereto, and all other student union buildings and  
19 student dormitories erected upon the campus of any institution men-  
20 tioned in K.S.A. 76-6a01, and amendments thereto, by any other non-  
21 profit corporation.

22 *Thirteenth.* All buildings, as the same is defined in subsection (c) of  
23 K.S.A. 76-6a13, and amendments thereto, which are erected, constructed  
24 or acquired under the authority of K.S.A. 76-6a13 *et seq.*, and amend-  
25 ments thereto, and building sites acquired therefor.

26 *Fourteenth.* All that portion of the waterworks plant and system of the  
27 city of Kansas City, Missouri, now or hereafter located within the territory  
28 of the state of Kansas pursuant to the compact and agreement adopted  
29 by chapter 304 of the 1921 Session Laws of the state of Kansas. [See  
30 K.S.A. 79-205.]

31 *Fifteenth.* All property, real and personal, owned by a groundwater  
32 management district organized and operating pursuant to K.S.A. 82a-  
33 1020, and amendments thereto, *or by a groundwater management district*  
34 *operating pursuant to sections 1 through 15, and amendments thereto.*

35 *Sixteenth.* All property, real and personal, owned by the joint water  
36 district organized and operating pursuant to K.S.A. 80-1616 *et seq.*, and  
37 amendments thereto.

38 *Seventeenth.* All property, including interests less than fee ownership,  
39 acquired for the state of Kansas by the secretary of transportation or a  
40 predecessor in interest which is used in the administration, construction,  
41 maintenance or operation of the state system of highways, regardless of  
42 how or when acquired.

43 *Eighteenth.* Any building used primarily as an industrial training center

1 for academic or vocational education programs designed for and operated  
2 under contract with private industry, and located upon a site owned,  
3 leased or being acquired by or for an area vocational school, an area  
4 vocational-technical school, a technical college, or a community college,  
5 as defined by K.S.A. 72-4412, and amendments thereto, and the site upon  
6 which any such building is located.

7 *Nineteenth.* For all taxable years commencing after December 31,  
8 1997, all buildings of an area vocational school, an area vocational-techni-  
9 cal school, a technical college or a community college, as defined by  
10 K.S.A. 72-4412, and amendments thereto, which are owned and operated  
11 by any such school or college as a student union or dormitory, and the  
12 site upon which any such building is located.

13 Except as otherwise specifically provided, the provisions of this section  
14 shall apply to all taxable years commencing after December 31, 1998.

15 Sec. 17. K.S.A. 2000 Supp. 79-3606 is hereby amended to read as  
16 follows: 79-3606. The following shall be exempt from the tax imposed by  
17 this act:

18 (a) All sales of motor-vehicle fuel or other articles upon which a sales  
19 or excise tax has been paid, not subject to refund, under the laws of this  
20 state except cigarettes as defined by K.S.A. 79-3301 and amendments  
21 thereto, cereal malt beverages and malt products as defined by K.S.A. 79-  
22 3817 and amendments thereto, including wort, liquid malt, malt syrup  
23 and malt extract, which is not subject to taxation under the provisions of  
24 K.S.A. 79-41a02 and amendments thereto, motor vehicles taxed pursuant  
25 to K.S.A. 79-5117, and amendments thereto, tires taxed pursuant to  
26 K.S.A. 65-3424d, and amendments thereto, and drycleaning and laundry  
27 services taxed pursuant to K.S.A. 2000 Supp. 65-34,150, and amendments  
28 thereto;

29 (b) all sales of tangible personal property or service, including the  
30 renting and leasing of tangible personal property, purchased directly by  
31 the state of Kansas, a political subdivision thereof, other than a school or  
32 educational institution, or purchased by a public or private nonprofit hos-  
33 pital or public hospital authority or nonprofit blood, tissue or organ bank  
34 and used exclusively for state, political subdivision, hospital or public hos-  
35 pital authority or nonprofit blood, tissue or organ bank purposes, except  
36 when: (1) Such state, hospital or public hospital authority is engaged or  
37 proposes to engage in any business specifically taxable under the provi-  
38 sions of this act and such items of tangible personal property or service  
39 are used or proposed to be used in such business, or (2) such political  
40 subdivision is engaged or proposes to engage in the business of furnishing  
41 gas, water, electricity or heat to others and such items of personal prop-  
42 erty or service are used or proposed to be used in such business;

43 (c) all sales of tangible personal property or services, including the

1 renting and leasing of tangible personal property, purchased directly by  
2 a public or private elementary or secondary school or public or private  
3 nonprofit educational institution and used primarily by such school or  
4 institution for nonsectarian programs and activities provided or sponsored  
5 by such school or institution or in the erection, repair or enlargement of  
6 buildings to be used for such purposes. The exemption herein provided  
7 shall not apply to erection, construction, repair, enlargement or equip-  
8 ment of buildings used primarily for human habitation;

9 (d) all sales of tangible personal property or services purchased by a  
10 contractor for the purpose of constructing, equipping, reconstructing,  
11 maintaining, repairing, enlarging, furnishing or remodeling facilities for  
12 any public or private nonprofit hospital or public hospital authority, public  
13 or private elementary or secondary school or a public or private nonprofit  
14 educational institution, which would be exempt from taxation under the  
15 provisions of this act if purchased directly by such hospital or public hos-  
16 pital authority, school or educational institution; and all sales of tangible  
17 personal property or services purchased by a contractor for the purpose  
18 of constructing, equipping, reconstructing, maintaining, repairing, en-  
19 larging, furnishing or remodeling facilities for any political subdivision of  
20 the state, the total cost of which is paid from funds of such political  
21 subdivision and which would be exempt from taxation under the provi-  
22 sions of this act if purchased directly by such political subdivision. Nothing  
23 in this subsection or in the provisions of K.S.A. 12-3418 and amendments  
24 thereto, shall be deemed to exempt the purchase of any construction  
25 machinery, equipment or tools used in the constructing, equipping, re-  
26 constructing, maintaining, repairing, enlarging, furnishing or remodeling  
27 facilities for any political subdivision of the state. As used in this subsec-  
28 tion, K.S.A. 12-3418 and 79-3640, and amendments thereto, "funds of a  
29 political subdivision" shall mean general tax revenues, the proceeds of  
30 any bonds and gifts or grants-in-aid. Gifts shall not mean funds used for  
31 the purpose of constructing, equipping, reconstructing, repairing, enlarg-  
32 ing, furnishing or remodeling facilities which are to be leased to the do-  
33 nor. When any political subdivision of the state, public or private non-  
34 profit hospital or public hospital authority, public or private elementary  
35 or secondary school or public or private nonprofit educational institution  
36 shall contract for the purpose of constructing, equipping, reconstructing,  
37 maintaining, repairing, enlarging, furnishing or remodeling facilities, it  
38 shall obtain from the state and furnish to the contractor an exemption  
39 certificate for the project involved, and the contractor may purchase ma-  
40 terials for incorporation in such project. The contractor shall furnish the  
41 number of such certificate to all suppliers from whom such purchases are  
42 made, and such suppliers shall execute invoices covering the same bearing  
43 the number of such certificate. Upon completion of the project the con-

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

30 (e) all sales of tangible personal property or services purchased by a  
31 contractor for the erection, repair or enlargement of buildings or other  
32 projects for the government of the United States, its agencies or instru-  
33 mentalities, which would be exempt from taxation if purchased directly  
34 by the government of the United States, its agencies or instrumentalities.  
35 When the government of the United States, its agencies or instrumen-  
36 talities shall contract for the erection, repair, or enlargement of any build-  
37 ing or other project, it shall obtain from the state and furnish to the  
38 contractor an exemption certificate for the project involved, and the con-  
39 tractor may purchase materials for incorporation in such project. The  
40 contractor shall furnish the number of such certificates to all suppliers  
41 from whom such purchases are made, and such suppliers shall execute  
42 invoices covering the same bearing the number of such certificate. Upon  
43 completion of the project the contractor shall furnish to the government

1 of the United States, its agencies or instrumentalities concerned a sworn  
2 statement, on a form to be provided by the director of taxation, that all  
3 purchases so made were entitled to exemption under this subsection. As  
4 an alternative to the foregoing procedure, any such contracting entity may  
5 apply to the secretary of revenue for agent status for the sole purpose of  
6 issuing and furnishing project exemption certificates to contractors pur-  
7 suant to rules and regulations adopted by the secretary establishing con-  
8 ditions and standards for the granting and maintaining of such status. All  
9 invoices shall be held by the contractor for a period of five years and shall  
10 be subject to audit by the director of taxation. Any contractor or any agent,  
11 employee or subcontractor thereof, who shall use or otherwise dispose of  
12 any materials purchased under such a certificate for any purpose other  
13 than that for which such a certificate is issued without the payment of  
14 the sales or compensating tax otherwise imposed upon such materials,  
15 shall be guilty of a misdemeanor and, upon conviction therefor, shall be  
16 subject to the penalties provided for in subsection (g) of K.S.A. 79-3615  
17 and amendments thereto;

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

21 (g) sales of aircraft including remanufactured and modified aircraft,  
22 sales of aircraft repair, modification and replacement parts and sales of  
23 services employed in the remanufacture, modification and repair of air-  
24 craft sold to persons using directly or through an authorized agent such  
25 aircraft and aircraft repair, modification and replacement parts as certified  
26 or licensed carriers of persons or property in interstate or foreign com-  
27 merce under authority of the laws of the United States or any foreign  
28 government or sold to any foreign government or agency or instrumen-  
29 tality of such foreign government and all sales of aircraft, aircraft parts,  
30 replacement parts and services employed in the remanufacture, modifi-  
31 cation and repair of aircraft for use outside of the United States;

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

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

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

41 (k) any motor vehicle, semitrailer or pole trailer, as such terms are  
42 defined by K.S.A. 8-126 and amendments thereto, or aircraft sold and  
43 delivered in this state to a bona fide resident of another state, which motor

1 vehicle, semitrailer, pole trailer or aircraft is not to be registered or based  
2 in this state and which vehicle, semitrailer, pole trailer or aircraft will not  
3 remain in this state more than 10 days;

4 (l) all isolated or occasional sales of tangible personal property, serv-  
5 ices, substances or things, except isolated or occasional sale of motor  
6 vehicles specifically taxed under the provisions of subsection (o) of K.S.A.  
7 79-3603 and amendments thereto;

8 (m) all sales of tangible personal property which become an ingre-  
9 dient or component part of tangible personal property or services pro-  
10 duced, manufactured or compounded for ultimate sale at retail within or  
11 without the state of Kansas; and any such producer, manufacturer or  
12 compounder may obtain from the director of taxation and furnish to the  
13 supplier an exemption certificate number for tangible personal property  
14 for use as an ingredient or component part of the property or services  
15 produced, manufactured or compounded;

16 (n) all sales of tangible personal property which is consumed in the  
17 production, manufacture, processing, mining, drilling, refining or com-  
18 pounding of tangible personal property, the treating of by-products or  
19 wastes derived from any such production process, the providing of serv-  
20 ices or the irrigation of crops for ultimate sale at retail within or without  
21 the state of Kansas; and any purchaser of such property may obtain from  
22 the director of taxation and furnish to the supplier an exemption certifi-  
23 cate number for tangible personal property for consumption in such pro-  
24 duction, manufacture, processing, mining, drilling, refining, compound-  
25 ing, treating, irrigation and in providing such services;

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

32 (p) all sales of drugs, as defined by K.S.A. 65-1626 and amendments  
33 thereto, dispensed pursuant to a prescription order, as defined by K.S.A.  
34 65-1626 and amendments thereto, by a licensed practitioner or a mid-  
35 level practitioner as defined by K.S.A. 65-1626, and amendments thereto;

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

39 (r) all sales of prosthetic and orthopedic appliances prescribed in  
40 writing by a person licensed to practice the healing arts, dentistry or  
41 optometry. For the purposes of this subsection, the term prosthetic and  
42 orthopedic appliances means any apparatus, instrument, device, or equip-  
43 ment used to replace or substitute for any missing part of the body; used

1 to alleviate the malfunction of any part of the body; or used to assist any  
2 disabled person in leading a normal life by facilitating such person's mo-  
3 bility; such term shall include accessories attached or to be attached to  
4 motor vehicles, but such term shall not include motor vehicles or personal  
5 property which when installed becomes a fixture to real property;

6 (s) all sales of tangible personal property or services purchased di-  
7 rectly by a groundwater management district organized or operating un-  
8 der the authority of K.S.A. 82a-1020 *et seq.* and amendments thereto, *or*  
9 *by a groundwater management district operating pursuant to sections 1*  
10 *through 15, and amendments thereto*, which property or services are used  
11 in the operation or maintenance of the district;

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

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

31 (v) all sales of food products to any contractor for use in preparing  
32 meals for delivery to homebound elderly persons over 60 years of age and  
33 to homebound disabled persons or to be served at a group-sitting at a  
34 location outside of the home to otherwise homebound elderly persons  
35 over 60 years of age and to otherwise homebound disabled persons, as  
36 all or part of any food service project funded in whole or in part by  
37 government or as part of a private nonprofit food service project available  
38 to all such elderly or disabled persons residing within an area of service  
39 designated by the private nonprofit organization, and all sales of food  
40 products for use in preparing meals for consumption by indigent or home-  
41 less individuals whether or not such meals are consumed at a place des-  
42 ignated for such purpose;

43 (w) all sales of natural gas, electricity, heat and water delivered



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

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

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

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

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

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

29 (cc) all sales of tangible personal property or services purchased for  
30 the purpose of and in conjunction with constructing, reconstructing, en-  
31 larging or remodeling a business or retail business which meets the  
32 requirements established in K.S.A. 74-50,115 and amendments thereto,  
33 and the sale and installation of machinery and equipment purchased for  
34 installation at any such business or retail business. When a person shall  
35 contract for the construction, reconstruction, enlargement or remodeling  
36 of any such business or retail business, such person shall obtain from the  
37 state and furnish to the contractor an exemption certificate for the project  
38 involved, and the contractor may purchase materials, machinery and  
39 equipment for incorporation in such project. The contractor shall furnish  
40 the number of such certificates to all suppliers from whom such purchases  
41 are made, and such suppliers shall execute invoices covering the same  
42 bearing the number of such certificate. Upon completion of the project  
43 the contractor shall furnish to the owner of the business or retail business

1 a sworn statement, on a form to be provided by the director of taxation,  
2 that all purchases so made were entitled to exemption under this subsec-  
3 tion. All invoices shall be held by the contractor for a period of five years  
4 and shall be subject to audit by the director of taxation. Any contractor  
5 or any agent, employee or subcontractor thereof, who shall use or oth-  
6 erwise dispose of any materials, machinery or equipment purchased under  
7 such a certificate for any purpose other than that for which such a  
8 certificate is issued without the payment of the sales or compensating tax  
9 otherwise imposed thereon, shall be guilty of a misdemeanor and, upon  
10 conviction therefor, shall be subject to the penalties provided for in sub-  
11 section (g) of K.S.A. 79-3615 and amendments thereto. As used in this  
12 subsection, “business” and “retail business” have the meanings respec-  
13 tively ascribed thereto by K.S.A. 74-50,114 and amendments thereto;

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

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

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

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

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

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

39 (jj) all sales of tangible personal property or services, including the  
40 renting and leasing of tangible personal property, purchased directly on  
41 behalf of a community-based mental retardation facility or mental health  
42 center organized pursuant to K.S.A. 19-4001 *et seq.*, and amendments  
43 thereto, and licensed in accordance with the provisions of K.S.A. 75-

1 3307b and amendments thereto. This exemption shall not apply to tan-  
2 gible personal property customarily used for human habitation purposes;

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

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

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

10 (2) For purposes of this subsection:

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

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

24 (C) “manufacturing or processing plant or facility” means a single,  
25 fixed location owned or controlled by a manufacturing or processing busi-  
26 ness that consists of one or more structures or buildings in a contiguous  
27 area where integrated production operations are conducted to manufac-  
28 ture or process tangible personal property to be ultimately sold at retail.  
29 Such term shall not include any facility primarily operated for the purpose  
30 of conveying or assisting in the conveyance of natural gas, electricity, oil  
31 or water. A business may operate one or more manufacturing or proc-  
32 essing plants or facilities at different locations to manufacture or process  
33 a single product of tangible personal property to be ultimately sold at  
34 retail;

35 (D) “manufacturing or processing business” means a business that  
36 utilizes an integrated production operation to manufacture, process, fab-  
37 ricate, finish, or assemble items for wholesale and retail distribution as  
38 part of what is commonly regarded by the general public as an industrial  
39 manufacturing or processing operation or an agricultural commodity  
40 processing operation. (i) Industrial manufacturing or processing opera-  
41 tions include, by way of illustration but not of limitation, the fabrication  
42 of automobiles, airplanes, machinery or transportation equipment, the  
43 fabrication of metal, plastic, wood, or paper products, electricity power

1 generation, water treatment, petroleum refining, chemical production,  
2 wholesale bottling, newspaper printing, ready mixed concrete production,  
3 and the remanufacturing of used parts for wholesale or retail sale. Such  
4 processing operations shall include operations at an oil well, gas well, mine  
5 or other excavation site where the oil, gas, minerals, coal, clay, stone, sand  
6 or gravel that has been extracted from the earth is cleaned, separated,  
7 crushed, ground, milled, screened, washed, or otherwise treated or pre-  
8 pared before its transmission to a refinery or before any other wholesale  
9 or retail distribution. (ii) Agricultural commodity processing operations  
10 include, by way of illustration but not of limitation, meat packing, poultry  
11 slaughtering and dressing, processing and packaging farm and dairy prod-  
12 ucts in sealed containers for wholesale and retail distribution, feed grind-  
13 ing, grain milling, frozen food processing, and grain handling, cleaning,  
14 blending, fumigation, drying and aeration operations engaged in by grain  
15 elevators or other grain storage facilities. (iii) Manufacturing or processing  
16 businesses do not include, by way of illustration but not of limitation,  
17 nonindustrial businesses whose operations are primarily retail and that  
18 produce or process tangible personal property as an incidental part of  
19 conducting the retail business, such as retailers who bake, cook or prepare  
20 food products in the regular course of their retail trade, grocery stores,  
21 meat lockers and meat markets that butcher or dress livestock or poultry  
22 in the regular course of their retail trade, contractors who alter, service,  
23 repair or improve real property, and retail businesses that clean, service  
24 or refurbish and repair tangible personal property for its owner;

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

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

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

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

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

43 (C) to act upon, effect, promote or otherwise facilitate a physical

- 1 change to the property undergoing manufacturing or processing;
- 2 (D) to guide, control or direct the movement of property undergoing  
3 manufacturing or processing;
- 4 (E) to test or measure raw materials, the property undergoing man-  
5 ufacturing or processing or the finished product, as a necessary part of  
6 the manufacturer's integrated production operations;
- 7 (F) to plan, manage, control or record the receipt and flow of inven-  
8 tories of raw materials, consumables and component parts, the flow of  
9 the property undergoing manufacturing or processing and the manage-  
10 ment of inventories of the finished product;
- 11 (G) to produce energy for, lubricate, control the operating of or oth-  
12 erwise enable the functioning of other production machinery and equip-  
13 ment and the continuation of production operations;
- 14 (H) to package the property being manufactured or processed in a  
15 container or wrapping in which such property is normally sold or  
16 transported;
- 17 (I) to transmit or transport electricity, coke, gas, water, steam or sim-  
18 ilar substances used in production operations from the point of genera-  
19 tion, if produced by the manufacturer or processor at the plant site, to  
20 that manufacturer's production operation; or, if purchased or delivered  
21 from offsite, from the point where the substance enters the site of the  
22 plant or facility to that manufacturer's production operations;
- 23 (J) to cool, heat, filter, refine or otherwise treat water, steam, acid,  
24 oil, solvents or other substances that are used in production operations;
- 25 (K) to provide and control an environment required to maintain cer-  
26 tain levels of air quality, humidity or temperature in special and limited  
27 areas of the plant or facility, where such regulation of temperature or  
28 humidity is part of and essential to the production process;
- 29 (L) to treat, transport or store waste or other byproducts of produc-  
30 tion operations at the plant or facility; or
- 31 (M) to control pollution at the plant or facility where the pollution is  
32 produced by the manufacturing or processing operation.
- 33 (4) The following machinery, equipment and materials shall be  
34 deemed to be exempt even though it may not otherwise qualify as ma-  
35 chinery and equipment used as an integral or essential part of an inte-  
36 grated production operation: (A) Computers and related peripheral  
37 equipment that are utilized by a manufacturing or processing business  
38 for engineering of the finished product or for research and development  
39 or product design; (B) machinery and equipment that is utilized by a  
40 manufacturing or processing business to manufacture or rebuild tangible  
41 personal property that is used in manufacturing or processing operations,  
42 including tools, dies, molds, forms and other parts of qualifying machinery  
43 and equipment; (C) portable plants for aggregate concrete, bulk cement

1 and asphalt including cement mixing drums to be attached to a motor  
2 vehicle; (D) industrial fixtures, devices, support facilities and special foun-  
3 dations necessary for manufacturing and production operations, and ma-  
4 terials and other tangible personal property sold for the purpose of fab-  
5 ricating such fixtures, devices, facilities and foundations. An exemption  
6 certificate for such purchases shall be signed by the manufacturer or  
7 processor. If the fabricator purchases such material, the fabricator shall  
8 also sign the exemption certificate; and (E) a manufacturing or processing  
9 business' laboratory equipment that is not located at the plant or facility,  
10 but that would otherwise qualify for exemption under subsection (3)(E).

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

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

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

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

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

29 (E) furniture and other furnishings;

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

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

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

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

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

43 (6) Subsections (3) and (5) shall not be construed as exclusive listings

1 of the machinery and equipment that qualify or do not qualify as an  
2 integral or essential part of an integrated production operation. When  
3 machinery or equipment is used as an integral or essential part of pro-  
4 duction operations part of the time and for nonproduction purpose at  
5 other times, the primary use of the machinery or equipment shall deter-  
6 mine whether or not such machinery or equipment qualifies for  
7 exemption.

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

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

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

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

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

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

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

33 (rr) all sales of tangible personal property which will admit the pur-  
34 chaser thereof to any annual event sponsored by a nonprofit organization  
35 which is exempt from federal income taxation pursuant to section  
36 501(c)(3) of the federal internal revenue code of 1986;

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

40 (tt) all sales of tangible personal property and services purchased by  
41 or on behalf of a not-for-profit corporation which is exempt from federal  
42 income taxation pursuant to section 501(c)(3) of the federal internal rev-  
43 enue code of 1986, for the sole purpose of constructing a Kansas Korean

1 War memorial;

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

5 (vv) all sales of tangible personal property purchased by any of the  
6 following organizations which are exempt from federal income taxation  
7 pursuant to section 501 (c)(3) of the federal internal revenue code of  
8 1986, for the following purposes, and all sales of any such property by or  
9 on behalf of any such organization for any such purpose:

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

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

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

20 (4) the American Diabetes Association Kansas Affiliate, Inc. for the  
21 purpose of eliminating diabetes through medical research, public edu-  
22 cation focusing on disease prevention and education, patient education  
23 including information on coping with diabetes, and professional education  
24 and training;

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

30 (6) the Kansas chapters of the Alzheimer's Disease and Related Dis-  
31 orders Association, Inc. for the purpose of providing assistance and sup-  
32 port to persons in Kansas with Alzheimer's disease, and their families and  
33 caregivers;

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

37 (xx) all sales of tangible personal property and services purchased by  
38 a nonprofit zoo which is exempt from federal income taxation pursuant  
39 to section 501(c)(3) of the federal internal revenue code of 1986, or on  
40 behalf of such zoo by an entity itself exempt from federal income taxation  
41 pursuant to section 501(c)(3) of the federal internal revenue code of 1986  
42 contracted with to operate such zoo and all sales of tangible personal  
43 property or services purchased by a contractor for the purpose of con-



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

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

42 (zz) all sales of machinery and equipment purchased by over-the-air,  
43 free access radio or television station which is used directly and primarily

1 for the purpose of producing a broadcast signal or is such that the failure  
2 of the machinery or equipment to operate would cause broadcasting to  
3 cease. For purposes of this subsection, machinery and equipment shall  
4 include, but not be limited to, that required by rules and regulations of  
5 the federal communications commission, and all sales of electricity which  
6 are essential or necessary for the purpose of producing a broadcast signal  
7 or is such that the failure of the electricity would cause broadcasting to  
8 cease;

9 (aaa) all sales of tangible personal property and services purchased  
10 by a religious organization which is exempt from federal income taxation  
11 pursuant to section 501(c)(3) of the federal internal revenue code, and  
12 used exclusively for religious purposes, and all sales of tangible personal  
13 property or services purchased by a contractor for the purpose of con-  
14 structing, equipping, reconstructing, maintaining, repairing, enlarging,  
15 furnishing or remodeling facilities for any such organization which would  
16 be exempt from taxation under the provisions of this section if purchased  
17 directly by such organization. Nothing in this subsection shall be deemed  
18 to exempt the purchase of any construction machinery, equipment or  
19 tools used in the constructing, equipping, reconstructing, maintaining,  
20 repairing, enlarging, furnishing or remodeling facilities for any such or-  
21 ganization. When any such organization shall contract for the purpose of  
22 constructing, equipping, reconstructing, maintaining, repairing, enlarg-  
23 ing, furnishing or remodeling facilities, it shall obtain from the state and  
24 furnish to the contractor an exemption certificate for the project involved,  
25 and the contractor may purchase materials for incorporation in such pro-  
26 ject. The contractor shall furnish the number of such certificate to all  
27 suppliers from whom such purchases are made, and such suppliers shall  
28 execute invoices covering the same bearing the number of such certifi-  
29 cate. Upon completion of the project the contractor shall furnish to such  
30 organization concerned a sworn statement, on a form to be provided by  
31 the director of taxation, that all purchases so made were entitled to ex-  
32 emption under this subsection. All invoices shall be held by the contractor  
33 for a period of five years and shall be subject to audit by the director of  
34 taxation. If any materials purchased under such a certificate are found  
35 not to have been incorporated in the building or other project or not to  
36 have been returned for credit or the sales or compensating tax otherwise  
37 imposed upon such materials which will not be so incorporated in the  
38 building or other project reported and paid by such contractor to the  
39 director of taxation not later than the 20th day of the month following  
40 the close of the month in which it shall be determined that such materials  
41 will not be used for the purpose for which such certificate was issued,  
42 such organization concerned shall be liable for tax on all materials pur-  
43 chased for the project, and upon payment thereof it may recover the same

1 from the contractor together with reasonable attorney fees. Any contrac-  
2 tor or any agent, employee or subcontractor thereof, who shall use or  
3 otherwise dispose of any materials purchased under such a certificate for  
4 any purpose other than that for which such a certificate is issued without  
5 the payment of the sales or compensating tax otherwise imposed upon  
6 such materials, shall be guilty of a misdemeanor and, upon conviction  
7 therefor, shall be subject to the penalties provided for in subsection (g)  
8 of K.S.A. 79-3615, and amendments thereto. Sales tax paid on and after  
9 July 1, 1998, but prior to the effective date of this act upon the gross  
10 receipts received from any sale exempted by the amendatory provisions  
11 of this subsection shall be refunded. Each claim for a sales tax refund  
12 shall be verified and submitted to the director of taxation upon forms  
13 furnished by the director and shall be accompanied by any additional  
14 documentation required by the director. The director shall review each  
15 claim and shall refund that amount of sales tax paid as determined under  
16 the provisions of this subsection. All refunds shall be paid from the sales  
17 tax refund fund upon warrants of the director of accounts and reports  
18 pursuant to vouchers approved by the director or the director's designee;

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

25 (ccc) on and after July 1, 1999, all sales of tangible personal property  
26 and services purchased by a primary care clinic or health center the pri-  
27 mary purpose of which is to provide services to medically underserved  
28 individuals and families, and which is exempt from federal income taxa-  
29 tion pursuant to section 501 (c)(3) of the federal internal revenue code,  
30 and all sales of tangible personal property or services purchased by a  
31 contractor for the purpose of constructing, equipping, reconstructing,  
32 maintaining, repairing, enlarging, furnishing or remodeling facilities for  
33 any such clinic or center which would be exempt from taxation under the  
34 provisions of this section if purchased directly by such clinic or center.  
35 Nothing in this subsection shall be deemed to exempt the purchase of  
36 any construction machinery, equipment or tools used in the constructing,  
37 equipping, reconstructing, maintaining, repairing, enlarging, furnishing  
38 or remodeling facilities for any such clinic or center. When any such clinic  
39 or center shall contract for the purpose of constructing, equipping, re-  
40 constructing, maintaining, repairing, enlarging, furnishing or remodeling  
41 facilities, it shall obtain from the state and furnish to the contractor an  
42 exemption certificate for the project involved, and the contractor may  
43 purchase materials for incorporation in such project. The contractor shall

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

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

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

42 (fff) all sales of material handling equipment, racking systems and  
43 other related machinery and equipment that is used for the handling,

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

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

20 Sec. 18. K.S.A. 82a-1021 is hereby amended to read as follows: 82a-  
21 1021. ~~The following terms when used in this act shall have the limitations~~  
22 ~~and meanings respectively ascribed to them in this section~~ *As used in this*  
23 *act:*

24 (a) "Aquifer" means any geological formation capable of yielding wa-  
25 ter in sufficient quantities that it can be extracted for beneficial purposes.

26 (b) "Board" means the board of directors constituting the governing  
27 body of a groundwater management district.

28 (c) "Chief engineer" means the chief engineer of the division of water  
29 resources of the Kansas state board of agriculture.

30 (d) "District" means a contiguous area which overlies one or more  
31 aquifers, together with any area in between, which is organized for  
32 groundwater management purposes under this act and acts amendatory  
33 thereof or supplemental thereto. *"District" does not include a ground-*  
34 *water management district operating pursuant to sections 1 through 15,*  
35 *and amendments thereto.*

36 (e) "Eligible voter" means any person who is a landowner or a water  
37 user as defined in this act except as hereafter qualified. Every natural  
38 person ~~of the age of eighteen (18) years or upward~~ *18 or more years of*  
39 *age shall be an eligible voter of a district under this act if (1) he or she*  
40 *such person* is a landowner who owns, of record, any land, or any interest  
41 in land, comprising ~~forty (40)~~ *40* or more contiguous acres located within  
42 the boundaries of the district and not within the corporate limits of any  
43 municipality, or (2) ~~he or she~~ *such person* withdraws or uses groundwater

1 from within the boundaries of the district in an amount of one acre-foot  
2 or more per year.

3 Except as is hereafter qualified, every public or private corporation  
4 shall be an eligible voter of a district under this act either (1) if ~~it~~ *such*  
5 *corporation* is a landowner who owns of record any land, or any interest  
6 in land, comprised of ~~forty (40)~~ 40 or more contiguous acres located  
7 within the boundaries of the district and not within the corporate limits  
8 of any municipality, or (2) if ~~it~~ *such corporation* is a corporation that  
9 withdraws groundwater from within the district in an amount of one acre-  
10 foot or more per year.

11 Each tract of land of ~~forty (40)~~ 40 or more contiguous acres and each  
12 quantity of water withdrawn or used in an amount of one acre-foot or  
13 more per year shall be represented by but a single eligible voter. If the  
14 land is held by lease, under an estate for years, under contract, or oth-  
15 erwise, the fee owner shall be the one entitled to vote, unless the parties  
16 in interest agree otherwise. If the land is held jointly or in common, the  
17 majority in interest shall determine which natural person or corporation  
18 shall be entitled to vote. Each qualified voter shall be entitled to cast only  
19 one vote. A person duly authorized to act in a representative capacity for  
20 estates, trusts, municipalities, public corporations or private corporations  
21 may also cast one vote for each estate, trust, municipality, or public or  
22 private corporations so represented. Nothing herein shall be construed  
23 to authorize proxy voting.

24 Any landowner who is not a water user may have ~~his or her~~ *the land-*  
25 *owner's* land excluded from any district assessments and thereby abandon  
26 his or her right to vote on district matters by serving a written notice of  
27 election of exclusion with the steering committee or the board. Such a  
28 landowner may again become an eligible voter by becoming a water user  
29 or by serving a written notice of inclusion on the board stating that ~~he or~~  
30 ~~she~~ *such landowner* has elected to be reinstated as a voting member of  
31 the district and will be subject to district assessments.

32 Any eligible voter who is a landowner or water user as defined in this  
33 act, and also is the owner of a tract or tracts of land comprising not less  
34 than ~~six hundred forty (640)~~ 640 acres in area, located within the bound-  
35 aries of the district, on which no water is being used or from which no  
36 water is being withdrawn, may have such tract or tracts of land on or from  
37 which no water is used or withdrawn, excluded from district assessment  
38 in the manner described above.

39 All notices of inclusion or exclusion of land shall be submitted to the  
40 board not later than January 1 of the effective year.

41 (f) "Land" means real property as that term is defined by the laws of  
42 the state of Kansas.

43 (g) "Landowner" means the person who is the record owner of any

1 real estate within the boundaries of the district or who has an interest  
2 therein as contract purchaser of ~~forty (40)~~ 40 or more contiguous acres  
3 in the district not within the corporate limits of any municipality. Owners  
4 of oil leases, gas leases, mineral rights, easements, or mortgages shall not  
5 be considered landowners by reason of such ownership.

6 (h) “Management program” means a written report describing the  
7 characteristics of the district and the nature and methods of dealing with  
8 groundwater supply problems within the district. It shall include infor-  
9 mation as to the groundwater management program to be undertaken by  
10 the district and such maps, geological information, and other data as may  
11 be necessary for the formulation of such a program.

12 (i) “Person” means any natural person, private corporation, or mu-  
13 nicipality, or other public corporation.

14 (j) “Water right” shall have the meaning ascribed to that term in  
15 K.S.A. 82a-701, and ~~any acts amendatory thereof or supplemental~~ any  
16 *amendments* thereto.

17 (k) “Water user” means any person who is withdrawing or using  
18 groundwater from within the boundaries of the district in an amount not  
19 less than one acre-foot per year. If a municipality is a water user within  
20 the district, it shall represent all persons within its corporate limits who  
21 are not water users as defined above.

22 Sec. 19. K.S.A. 82a-1021 and K.S.A. 2000 Supp. 79-201a and 79-  
23 3606 are hereby repealed.

24 Sec. 20. This act shall take effect and be in force from and after its  
25 publication in the statute book.

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