

HOUSE BILL No. 2902

By Representative D. Williams

2-13

AN ACT relating to taxation; amending K.S.A. 40-252 and K.S.A. 2001 Supp. 79-3603 and 79-3606 and repealing the existing sections; also repealing K.S.A. 2001 Supp. 79-1107, 79-1108, 79-32,110 and 79-3603b.

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

Section 1. K.S.A. 2001 Supp. 79-3603 is hereby amended to read as follows: 79-3603. For the privilege of engaging in the business of selling tangible personal property at retail in this state or rendering or furnishing any of the services taxable under this act, there is hereby levied and there shall be collected and paid a tax at the rate of 4.9% and, within a redevelopment district established pursuant to K.S.A. 74-8921, and amendments thereto, there is hereby levied and there shall be collected and paid an additional tax at the rate of 2% until the earlier of the date the bonds issued to finance or refinance the redevelopment project have been paid in full or the final scheduled maturity of the first series of bonds issued to finance any part of the project upon:

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

(b) (1) the gross receipts from intrastate telephone or telegraph services; *and* (2) the gross receipts received from the sale of interstate telephone or telegraph services, which (A) originate within this state and terminate outside the state and are billed to a customer's telephone number or account in this state; or (B) originate outside this state and terminate within this state and are billed to a customer's telephone number or account in this state ~~except that the sale of interstate telephone or telegraph service does not include: (A) Any interstate incoming or outgoing wide area telephone service or wide area transmission type service which entitles the subscriber to make or receive an unlimited number of communications to or from persons having telephone service in a specified area which is outside the state in which the station provided this service is located; (B) any interstate private communications service to the persons contracting for the receipt of that service that entitles the purchaser to exclusive or priority use of a communications channel or group of channels between exchanges; (C) any value added nonvoice~~

1 service in which computer processing applications are used to act on the
2 form, content, code or protocol of the information to be transmitted, (D)
3 any telecommunication service to a provider of telecommunication serv-
4 ices which will be used to render telecommunications services, including
5 carrier access services; or (E) any service or transaction defined in this
6 section among entities classified as members of an affiliated group as
7 provided by section 1504 of the federal internal revenue code of 1986, as
8 in effect on January 1, 2001. For the purposes of this subsection the term
9 gross receipts does not include purchases of telephone, telegraph or tel-
10 ecommunications using a prepaid telephone calling card or prepaid au-
11 thorization number. As used in this subsection, a prepaid telephone call-
12 ing card or prepaid authorization number means the right to exclusively
13 make telephone calls, paid for in advance, with the prepaid value meas-
14 ured in minutes or other time units, that enables the origination of calls
15 using an access number or authorization code or both, whether manually
16 or electronically dialed; and (3) the gross receipts from the provision of
17 services taxable under this subsection which are billed on a combined
18 basis with nontaxable services, shall be accounted for and the tax remitted
19 as follows: The taxable portion of the selling price of those combined
20 services shall include only those charges for taxable services if the selling
21 price for the taxable services can be readily distinguishable in the retailer's
22 books and records from the selling price for the nontaxable services. Oth-
23 erwise, the gross receipts from the sale of both taxable and nontaxable
24 services billed on a combined basis shall be deemed attributable to the
25 taxable services included therein. Within 90 days of billing taxable services
26 on a combined basis with nontaxable services, the retailer shall enter into
27 a written agreement with the secretary identifying the methodology to be
28 used in determining the taxable portion of the selling price of those com-
29 bined services. The burden of proving that any receipt or charge is not
30 taxable shall be upon the retailer. Upon request from the customer, the
31 retailer shall disclose to the customer the selling price for the taxable
32 services included in the selling price for the taxable and nontaxable serv-
33 ices billed on a combined basis;

34 (c) the gross receipts from the sale or furnishing of gas, water, elec-
35 tricity and heat, which sale is not otherwise exempt from taxation under
36 the provisions of this act, and whether furnished by municipally or pri-
37 vately owned utilities but such tax shall not be levied and collected upon
38 the gross receipts from: (1) The sale of a rural water district benefit unit;
39 (2) a water system impact fee, system enhancement fee or similar fee
40 collected by a water supplier as a condition for establishing service; or (3)
41 connection or reconnection fees collected by a water supplier;

42 (d) the gross receipts from the sale of meals or drinks furnished at
43 any private club, drinking establishment, catered event, restaurant, eating

1 house, dining car, hotel, drugstore or other place where meals or drinks
2 are regularly sold to the public;

3 (e) the gross receipts from the sale of admissions to any place pro-
4 viding amusement, entertainment or recreation services including admis-
5 sions to state, county, district and local fairs, ~~but such tax shall not be~~
6 ~~levied and collected upon the gross receipts received from sales of ad-~~
7 ~~missions to any cultural and historical event which occurs triennially;~~

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

11 (g) the gross receipts from the service of renting of rooms by hotels,
12 as defined by K.S.A. 36-501 and amendments thereto, or by accommo-
13 dation brokers, as defined by K.S.A. 12-1692, and amendments thereto;

14 (h) the gross receipts from the service of renting or leasing of tangible
15 personal property ~~except such tax shall not apply to the renting or leasing~~
16 ~~of machinery, equipment or other personal property owned by a city and~~
17 ~~purchased from the proceeds of industrial revenue bonds issued prior to~~
18 ~~July 1, 1973, in accordance with the provisions of K.S.A. 12-1740 through~~
19 ~~12-1749, and amendments thereto, and any city or lessee renting or leas-~~
20 ~~ing such machinery, equipment or other personal property purchased~~
21 ~~with the proceeds of such bonds who shall have paid a tax under the~~
22 ~~provisions of this section upon sales made prior to July 1, 1973, shall be~~
23 ~~entitled to a refund from the sales tax refund fund of all taxes paid~~
24 ~~thereon;~~

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

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

30 (k) the gross receipts from cable, community antennae and other sub-
31 scriber radio and television services;

32 (l) (1) except as otherwise provided by paragraph (2), the gross re-
33 cepts received from the sales of tangible personal property to all con-
34 tractors, subcontractors or repairmen for use by them in erecting struc-
35 tures, or building on, or otherwise improving, altering, or repairing real
36 or personal property.

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

1 (m) the gross receipts received from fees and charges by public and
2 private clubs, drinking establishments, organizations and businesses for
3 participation in sports, games and other recreational activities, ~~but such~~
4 ~~tax shall not be levied and collected upon the gross receipts received from:~~
5 ~~(1) Fees and charges by any political subdivision, by any organization~~
6 ~~exempt from property taxation pursuant to paragraph *Ninth* of K.S.A. 79-~~
7 ~~201, and amendments thereto, or by any youth recreation organization~~
8 ~~exclusively providing services to persons 18 years of age or younger which~~
9 ~~is exempt from federal income taxation pursuant to section 501(c)(3) of~~
10 ~~the federal internal revenue code of 1986, for participation in sports,~~
11 ~~games and other recreational activities; and (2) entry fees and charges for~~
12 ~~participation in a special event or tournament sanctioned by a national~~
13 ~~sporting association to which spectators are charged an admission which~~
14 ~~is taxable pursuant to subsection (c);~~

15 (n) the gross receipts received from dues charged by public and pri-
16 vate clubs, drinking establishments, organizations and businesses, pay-
17 ment of which entitles a member to the use of facilities for recreation or
18 entertainment, ~~but such tax shall not be levied and collected upon the~~
19 ~~gross receipts received from: (1) Dues charged by any organization ex-~~
20 ~~empt from property taxation pursuant to paragraphs *Eighth* and *Ninth* of~~
21 ~~K.S.A. 79-201, and amendments thereto; and (2) sales of memberships~~
22 ~~in a nonprofit organization which is exempt from federal income taxation~~
23 ~~pursuant to section 501 (c)(3) of the federal internal revenue code of~~
24 ~~1986, and whose purpose is to support the operation of a nonprofit zoo;~~

25 (o) the gross receipts received from the isolated or occasional sale of
26 motor vehicles or trailers ~~but not including: (1) The transfer of motor~~
27 ~~vehicles or trailers by a person to a corporation or limited liability com-~~
28 ~~pany solely in exchange for stock securities or membership interest in~~
29 ~~such corporation or limited liability company; or (2) the transfer of motor~~
30 ~~vehicles or trailers by one corporation or limited liability company to~~
31 ~~another when all of the assets of such corporation or limited liability~~
32 ~~company are transferred to such other corporation or limited liability~~
33 ~~company; or (3) the sale of motor vehicles or trailers which are subject~~
34 ~~to taxation pursuant to the provisions of K.S.A. 79-5101 *et seq.*, and~~
35 ~~amendments thereto, by an immediate family member to another im-~~
36 ~~mediate family member. For the purposes of clause (3), immediate family~~
37 ~~member means lineal ascendants or descendants, and their spouses. In~~
38 ~~determining the base for computing the tax on such isolated or occasional~~
39 ~~sale, the fair market value of any motor vehicle or trailer traded in by the~~
40 ~~purchaser to the seller may be deducted from the selling price;~~

41 (p) the gross receipts received for the service of installing or applying
42 tangible personal property which when installed or applied is not being
43 held for sale in the regular course of business, and whether or not such

1 tangible personal property when installed or applied remains tangible
2 personal property or becomes a part of real estate, ~~except that no tax shall~~
3 ~~be imposed upon the service of installing or applying tangible personal~~
4 ~~property in connection with the original construction of a building or~~
5 ~~facility, the original construction, reconstruction, restoration, remodeling,~~
6 ~~renovation, repair or replacement of a residence or the construction, re-~~
7 ~~construction, restoration, replacement or repair of a bridge or highway.~~

8 — For the purposes of this subsection:

9 — (1) “Original construction” shall mean the first or initial construction
10 of a new building or facility. The term “original construction” shall include
11 the addition of an entire room or floor to any existing building or facility,
12 the completion of any unfinished portion of any existing building or fa-
13 cility and the restoration, reconstruction or replacement of a building or
14 facility damaged or destroyed by fire, flood, tornado, lightning, explosion
15 or earthquake, but such term, except with regard to a residence, shall not
16 include replacement, remodeling, restoration, renovation or reconstruc-
17 tion under any other circumstances;

18 — (2) “building” shall mean only those enclosures within which individ-
19 uals customarily are employed, or which are customarily used to house
20 machinery, equipment or other property, and including the land improve-
21 ments immediately surrounding such building;

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

28 — (4) “residence” shall mean only those enclosures within which indi-
29 viduals customarily live;

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

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

42 (s) the gross receipts received from the sale of computer software,
43 and the sale of the services of modifying, altering, updating or maintaining

1 computer software. As used in this subsection, “computer software”
2 means information and directions loaded into a computer which dictate
3 different functions to be performed by the computer. Computer software
4 includes any canned or prewritten program which is held or existing for
5 general or repeated sale, even if the program was originally developed
6 for a single end user as custom computer software. ~~The sale of computer
7 software or services does not include: (1) The initial sale of any custom
8 computer program which is originally developed for the exclusive use of
9 a single end user; or (2) those services rendered in the modification of
10 computer software when the modification is developed exclusively for a
11 single end user only to the extent of the modification and only to the
12 extent that the actual amount charged for the modification is separately
13 stated on invoices, statements and other billing documents provided to
14 the end user. The services of modification, alteration, updating and main-
15 tenance of computer software shall only include the modification, alter-
16 ation, updating and maintenance of computer software taxable under this
17 subsection whether or not the services are actually provided;~~

18 (t) the gross receipts received for telephone answering services, in-
19 cluding mobile phone services, beeper services and other similar services;
20 and

21 (u) the gross receipts received from the sale of prepaid telephone
22 calling cards or prepaid authorization numbers and the recharge of such
23 cards or numbers. A prepaid telephone calling card or prepaid authori-
24 zation number means the right to exclusively make telephone calls, paid
25 for in advance, with the prepaid value measured in minutes or other time
26 units, that enables the origination of calls using an access number or
27 authorization code or both, whether manually or electronically dialed. If
28 the sale or recharge of such card or number does not take place at the
29 vendor’s place of business, it shall be conclusively determined to take
30 place at the customer’s shipping address; if there is no item shipped then
31 it shall be the customer’s billing address; and

32 (v) the gross receipts received from the sales of bingo cards, bingo
33 faces and instant bingo tickets by licensees under K.S.A. 79-4701, *et seq.*,
34 and amendments thereto, ~~shall be taxed at a rate of: (1) 4.9% on July 1,
35 2000, and before July 1, 2001, and (2) 2.5% on July 1, 2001, and before
36 July 1, 2002. From and after July 1, 2002, all sales of bingo cards, bingo
37 faces and instant bingo tickets by licensees under K.S.A. 79-4701 *et seq.*,
38 and amendments thereto, shall be exempt from taxes imposed pursuant
39 to this section.~~

40 Sec. 2. K.S.A. 2001 Supp. 79-3606 is hereby amended to read as
41 follows: 79-3606. The following shall be exempt from the tax imposed by
42 this act:

43 (a) ~~All sales of motor vehicle fuel or other articles upon which a sales~~

1 or excise tax has been paid, not subject to refund, under the laws of this
2 state except cigarettes as defined by K.S.A. 79-3301 and amendments
3 thereto, cereal malt beverages and malt products as defined by K.S.A. 79-
4 3817 and amendments thereto, including wort, liquid malt, malt syrup
5 and malt extract, which is not subject to taxation under the provisions of
6 K.S.A. 79-41a02 and amendments thereto, motor vehicles taxed pursuant
7 to K.S.A. 79-5117, and amendments thereto, tires taxed pursuant to
8 K.S.A. 65-3424d, and amendments thereto, and drycleaning and laundry
9 services taxed pursuant to K.S.A. 2001 Supp. 65-34,150, and amendments
10 thereto;

11 ~~(b)~~ (a) All sales of tangible personal property or service, including the
12 renting and leasing of tangible personal property, purchased directly by
13 the state of Kansas, a political subdivision thereof, other than a school or
14 educational institution, or purchased by a public or private nonprofit hos-
15 pital or public hospital authority or nonprofit blood, tissue or organ bank
16 and used exclusively for state, political subdivision, hospital or public hos-
17 pital authority or nonprofit blood, tissue or organ bank purposes, except
18 when: (1) Such state, hospital or public hospital authority is engaged or
19 proposes to engage in any business specifically taxable under the provi-
20 sions of this act and such items of tangible personal property or service
21 are used or proposed to be used in such business, or (2) such political
22 subdivision is engaged or proposes to engage in the business of furnishing
23 gas, electricity or heat to others and such items of personal property or
24 service are used or proposed to be used in such business;

25 ~~(c)~~ (b) all sales of tangible personal property or services, including
26 the renting and leasing of tangible personal property, purchased directly
27 by a public or private elementary or secondary school or public or private
28 nonprofit educational institution and used primarily by such school or
29 institution for nonsectarian programs and activities provided or sponsored
30 by such school or institution or in the erection, repair or enlargement of
31 buildings to be used for such purposes. The exemption herein provided
32 shall not apply to erection, construction, repair, enlargement or equip-
33 ment of buildings used primarily for human habitation;

34 ~~(d)~~ (c) all sales of tangible personal property or services purchased
35 by a contractor for the purpose of constructing, equipping, reconstruct-
36 ing, maintaining, repairing, enlarging, furnishing or remodeling facilities
37 for any public or private nonprofit hospital or public hospital authority,
38 public or private elementary or secondary school or a public or private
39 nonprofit educational institution, which would be exempt from taxation
40 under the provisions of this act if purchased directly by such hospital or
41 public hospital authority, school or educational institution; and all sales
42 of tangible personal property or services purchased by a contractor for
43 the purpose of constructing, equipping, reconstructing, maintaining, re-

1 pairing, enlarging, furnishing or remodeling facilities for any political sub-
2 division of the state or district described in subsection (s), the total cost
3 of which is paid from funds of such political subdivision or district and
4 which would be exempt from taxation under the provisions of this act if
5 purchased directly by such political subdivision or district. Nothing in this
6 subsection or in the provisions of K.S.A. 12-3418 and amendments
7 thereto, shall be deemed to exempt the purchase of any construction
8 machinery, equipment or tools used in the constructing, equipping, re-
9 constructing, maintaining, repairing, enlarging, furnishing or remodeling
10 facilities for any political subdivision of the state or any such district. As
11 used in this subsection, K.S.A. 12-3418 and 79-3640, and amendments
12 thereto, "funds of a political subdivision" shall mean general tax revenues,
13 the proceeds of any bonds and gifts or grants-in-aid. Gifts shall not mean
14 funds used for the purpose of constructing, equipping, reconstructing,
15 repairing, enlarging, furnishing or remodeling facilities which are to be
16 leased to the donor. When any political subdivision of the state, district
17 described in subsection (s), public or private nonprofit hospital or public
18 hospital authority, public or private elementary or secondary school or
19 public or private nonprofit educational institution shall contract for the
20 purpose of constructing, equipping, reconstructing, maintaining, repair-
21 ing, enlarging, furnishing or remodeling facilities, it shall obtain from the
22 state and furnish to the contractor an exemption certificate for the project
23 involved, and the contractor may purchase materials for incorporation in
24 such project. The contractor shall furnish the number of such certificate
25 to all suppliers from whom such purchases are made, and such suppliers
26 shall execute invoices covering the same bearing the number of such
27 certificate. Upon completion of the project the contractor shall furnish to
28 the political subdivision, district described in subsection (s), hospital or
29 public hospital authority, school or educational institution concerned a
30 sworn statement, on a form to be provided by the director of taxation,
31 that all purchases so made were entitled to exemption under this subsec-
32 tion. As an alternative to the foregoing procedure, any such contracting
33 entity may apply to the secretary of revenue for agent status for the sole
34 purpose of issuing and furnishing project exemption certificates to con-
35 tractors pursuant to rules and regulations adopted by the secretary estab-
36 lishing conditions and standards for the granting and maintaining of such
37 status. All invoices shall be held by the contractor for a period of five
38 years and shall be subject to audit by the director of taxation. If any
39 materials purchased under such a certificate are found not to have been
40 incorporated in the building or other project or not to have been returned
41 for credit or the sales or compensating tax otherwise imposed upon such
42 materials which will not be so incorporated in the building or other pro-
43 ject reported and paid by such contractor to the director of taxation not

1 later than the 20th day of the month following the close of the month in
2 which it shall be determined that such materials will not be used for the
3 purpose for which such certificate was issued, the political subdivision,
4 district described in subsection (s), hospital or public hospital authority,
5 school or educational institution concerned shall be liable for tax on all
6 materials purchased for the project, and upon payment thereof it may
7 recover the same from the contractor together with reasonable attorney
8 fees. Any contractor or any agent, employee or subcontractor thereof,
9 who shall use or otherwise dispose of any materials purchased under such
10 a certificate for any purpose other than that for which such a certificate
11 is issued without the payment of the sales or compensating tax otherwise
12 imposed upon such materials, shall be guilty of a misdemeanor and, upon
13 conviction therefor, shall be subject to the penalties provided for in sub-
14 section (g) of K.S.A. 79-3615, and amendments thereto;

15 ~~(c) all sales of tangible personal property or services purchased by a~~
16 ~~contractor for the erection, repair or enlargement of buildings or other~~
17 ~~projects for the government of the United States, its agencies or instru-~~
18 ~~mentalities, which would be exempt from taxation if purchased directly~~
19 ~~by the government of the United States, its agencies or instrumentalities.~~
20 ~~When the government of the United States, its agencies or instrumen-~~
21 ~~talities shall contract for the erection, repair, or enlargement of any build-~~
22 ~~ing or other project, it shall obtain from the state and furnish to the~~
23 ~~contractor an exemption certificate for the project involved, and the con-~~
24 ~~tractor may purchase materials for incorporation in such project. The~~
25 ~~contractor shall furnish the number of such certificates to all suppliers~~
26 ~~from whom such purchases are made, and such suppliers shall execute~~
27 ~~invoices covering the same bearing the number of such certificate. Upon~~
28 ~~completion of the project the contractor shall furnish to the government~~
29 ~~of the United States, its agencies or instrumentalities concerned a sworn~~
30 ~~statement, on a form to be provided by the director of taxation, that all~~
31 ~~purchases so made were entitled to exemption under this subsection. As~~
32 ~~an alternative to the foregoing procedure, any such contracting entity may~~
33 ~~apply to the secretary of revenue for agent status for the sole purpose of~~
34 ~~issuing and furnishing project exemption certificates to contractors pur-~~
35 ~~suant to rules and regulations adopted by the secretary establishing con-~~
36 ~~ditions and standards for the granting and maintaining of such status. All~~
37 ~~invoices shall be held by the contractor for a period of five years and shall~~
38 ~~be subject to audit by the director of taxation. Any contractor or any agent,~~
39 ~~employee or subcontractor thereof, who shall use or otherwise dispose of~~
40 ~~any materials purchased under such a certificate for any purpose other~~
41 ~~than that for which such a certificate is issued without the payment of~~
42 ~~the sales or compensating tax otherwise imposed upon such materials,~~
43 ~~shall be guilty of a misdemeanor and, upon conviction therefor, shall be~~

1 subject to the penalties provided for in subsection (g) of K.S.A. 79-3615
2 and amendments thereto;

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

6 — (g) — sales of aircraft including remanufactured and modified aircraft,
7 sales of aircraft repair, modification and replacement parts and sales of
8 services employed in the remanufacture, modification and repair of air-
9 craft sold to persons using directly or through an authorized agent such
10 aircraft and aircraft repair, modification and replacement parts as certified
11 or licensed carriers of persons or property in interstate or foreign com-
12 merce under authority of the laws of the United States or any foreign
13 government or sold to any foreign government or agency or instrumen-
14 tality of such foreign government and all sales of aircraft, aircraft parts,
15 replacement parts and services employed in the remanufacture, modifi-
16 cation and repair of aircraft for use outside of the United States;

17 ~~(h)~~ (d) all rentals of nonsectarian textbooks by public or private ele-
18 mentary or secondary schools;

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

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

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

32 — (l) — all isolated or occasional sales of tangible personal property, serv-
33 ices, substances or things, except isolated or occasional sale of motor
34 vehicles specifically taxed under the provisions of subsection (o) of K.S.A.
35 79-3603 and amendments thereto;

36 — (m) — all sales of tangible personal property which become an ingre-
37 dient or component part of tangible personal property or services pro-
38 duced, manufactured or compounded for ultimate sale at retail within or
39 without the state of Kansas, and any such producer, manufacturer or
40 compounder may obtain from the director of taxation and furnish to the
41 supplier an exemption certificate number for tangible personal property
42 for use as an ingredient or component part of the property or services
43 produced, manufactured or compounded;

1 ~~—(n)—~~ all sales of tangible personal property which is consumed in the
2 production, manufacture, processing, mining, drilling, refining or com-
3 pounding of tangible personal property, the treating of by-products or
4 wastes derived from any such production process, the providing of serv-
5 ices or the irrigation of crops for ultimate sale at retail within or without
6 the state of Kansas; and any purchaser of such property may obtain from
7 the director of taxation and furnish to the supplier an exemption certifi-
8 cate number for tangible personal property for consumption in such pro-
9 duction, manufacture, processing, mining, drilling, refining, compound-
10 ing, treating, irrigation and in providing such services;

11 ~~—(o)—~~ all sales of animals, fowl and aquatic plants and animals, the pri-
12 mary purpose of which is use in agriculture or aquaculture, as defined in
13 K.S.A. 47-1901, and amendments thereto, the production of food for
14 human consumption, the production of animal, dairy, poultry or aquatic
15 plant and animal products, fiber or fur, or the production of offspring for
16 use for any such purpose or purposes;

17 ~~(p)~~ (e) all sales of drugs, as defined by K.S.A. 65-1626 and amend-
18 ments thereto, dispensed pursuant to a prescription order, as defined by
19 K.S.A. 65-1626 and amendments thereto, by a licensed practitioner or a
20 mid-level practitioner as defined by K.S.A. 65-1626, and amendments
21 thereto;

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

25 ~~(r)~~ (g) all sales of prosthetic and orthopedic appliances prescribed in
26 writing by a person licensed to practice the healing arts, dentistry or
27 optometry. For the purposes of this subsection, the term prosthetic and
28 orthopedic appliances means any apparatus, instrument, device, or equip-
29 ment used to replace or substitute for any missing part of the body; used
30 to alleviate the malfunction of any part of the body; or used to assist any
31 disabled person in leading a normal life by facilitating such person's mo-
32 bility; such term shall include accessories attached or to be attached to
33 motor vehicles, but such term shall not include motor vehicles or personal
34 property which when installed becomes a fixture to real property;

35 ~~(s)~~ (h) except as provided in K.S.A. 2001 Supp. 82a-2101, and amend-
36 ments thereto, all sales of tangible personal property or services pur-
37 chased directly or indirectly by a groundwater management district or-
38 ganized or operating under the authority of K.S.A. 82a-1020 *et seq.* and
39 amendments thereto, by a rural water district organized or operating un-
40 der the authority of K.S.A. 82a-612, and amendments thereto, or by a
41 water supply district organized or operating under the authority of K.S.A.
42 19-3501 *et seq.*, 19-3522 *et seq.* or 19-3545, and amendments thereto,
43 which property or services are used in the construction activities, opera-

1 tion or maintenance of the district;

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

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

21 ~~(v) (i) all sales of food products to any contractor for use in preparing~~
22 ~~meals for delivery to homebound elderly persons over 60 years of age and~~
23 ~~to homebound disabled persons or to be served at a group-sitting at a~~
24 ~~location outside of the home to otherwise homebound elderly persons~~
25 ~~over 60 years of age and to otherwise homebound disabled persons, as~~
26 ~~all or part of any food service project funded in whole or in part by~~
27 ~~government or as part of a private nonprofit food service project available~~
28 ~~to all such elderly or disabled persons residing within an area of service~~
29 ~~designated by the private nonprofit organization, and all sales of food~~
30 ~~products for use in preparing meals for consumption by indigent or home-~~
31 ~~less individuals whether or not such meals are consumed at a place des-~~
32 ~~ignated for such purpose;~~

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

41 ~~—(x) all sales of propane gas, LP-gas, coal, wood and other fuel sources~~
42 ~~for the production of heat or lighting for noncommercial use of an oc-~~
43 ~~cupant of residential premises;~~

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

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

8 ~~—(aa)—all sales of materials and services applied to equipment which is~~
9 ~~transported into the state from without the state for repair, service, al-~~
10 ~~teration, maintenance, remanufacture or modification and which is sub-~~
11 ~~sequently transported outside the state for use in the transmission of~~
12 ~~liquids or natural gas by means of pipeline in interstate or foreign com-~~
13 ~~mmerce under authority of the laws of the United States;~~

14 ~~—(bb)—all sales of used mobile homes or manufactured homes. As used~~
15 ~~in this subsection: (1) “Mobile homes” and “manufactured homes” shall~~
16 ~~have the meanings ascribed thereto by K.S.A. 58-4202 and amendments~~
17 ~~thereto; and (2) “sales of used mobile homes or manufactured homes”~~
18 ~~means sales other than the original retail sale thereof;~~

19 ~~—(cc)—all sales of tangible personal property or services purchased for~~
20 ~~the purpose of and in conjunction with constructing, reconstructing, en-~~
21 ~~larging or remodeling a business or retail business which meets the~~
22 ~~requirements established in K.S.A. 74-50,115 and amendments thereto,~~
23 ~~and the sale and installation of machinery and equipment purchased for~~
24 ~~installation at any such business or retail business. When a person shall~~
25 ~~contract for the construction, reconstruction, enlargement or remodeling~~
26 ~~of any such business or retail business, such person shall obtain from the~~
27 ~~state and furnish to the contractor an exemption certificate for the project~~
28 ~~involved, and the contractor may purchase materials, machinery and~~
29 ~~equipment for incorporation in such project. The contractor shall furnish~~
30 ~~the number of such certificates to all suppliers from whom such purchases~~
31 ~~are made, and such suppliers shall execute invoices covering the same~~
32 ~~bearing the number of such certificate. Upon completion of the project~~
33 ~~the contractor shall furnish to the owner of the business or retail business~~
34 ~~a sworn statement, on a form to be provided by the director of taxation,~~
35 ~~that all purchases so made were entitled to exemption under this subsec-~~
36 ~~tion. All invoices shall be held by the contractor for a period of five years~~
37 ~~and shall be subject to audit by the director of taxation. Any contractor~~
38 ~~or any agent, employee or subcontractor thereof, who shall use or oth-~~
39 ~~erwise dispose of any materials, machinery or equipment purchased un-~~
40 ~~der such a certificate for any purpose other than that for which such a~~
41 ~~certificate is issued without the payment of the sales or compensating tax~~
42 ~~otherwise imposed thereon, shall be guilty of a misdemeanor and, upon~~
43 ~~conviction therefor, shall be subject to the penalties provided for in sub-~~

1 section (g) of K.S.A. 79-3615 and amendments thereto. As used in this
2 subsection, “business” and “retail business” have the meanings respec-
3 tively ascribed thereto by K.S.A. 74-50,114 and amendments thereto;

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

6 —(cc) all sales of lottery tickets and shares made as part of a lottery
7 operated by the state of Kansas;

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

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

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

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

29 (jj) all sales of tangible personal property or services, including the
30 renting and leasing of tangible personal property, purchased directly on
31 behalf of a community-based mental retardation facility or mental health
32 center organized pursuant to K.S.A. 19-4001 *et seq.*, and amendments
33 thereto, and licensed in accordance with the provisions of K.S.A. 75-
34 3307b and amendments thereto. This exemption shall not apply to tan-
35 gible personal property customarily used for human habitation purposes;

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

39 —(B) all sales of installation, repair and maintenance services per-
40 formed on such machinery and equipment, and

41 —(C) all sales of repair and replacement parts and accessories pur-
42 chased for such machinery and equipment.

43 —(2) For purposes of this subsection:

1 —(A)—“Integrated production operation” means an integrated series of
2 operations engaged in at a manufacturing or processing plant or facility
3 to process, transform or convert tangible personal property by physical,
4 chemical or other means into a different form, composition or character
5 from that in which it originally existed. Integrated production operations
6 shall include: (i) Production line operations, including packaging opera-
7 tions; (ii) preproduction operations to handle, store and treat raw mate-
8 rials; (iii) post production handling, storage, warehousing and distribution
9 operations; and (iv) waste, pollution and environmental control opera-
10 tions, if any;

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

14 —(C)—“manufacturing or processing plant or facility” means a single,
15 fixed location owned or controlled by a manufacturing or processing busi-
16 ness that consists of one or more structures or buildings in a contiguous
17 area where integrated production operations are conducted to manufac-
18 ture or process tangible personal property to be ultimately sold at retail.
19 Such term shall not include any facility primarily operated for the purpose
20 of conveying or assisting in the conveyance of natural gas, electricity, oil
21 or water. A business may operate one or more manufacturing or proces-
22 sing plants or facilities at different locations to manufacture or process
23 a single product of tangible personal property to be ultimately sold at
24 retail;

25 —(D)—“manufacturing or processing business” means a business that
26 utilizes an integrated production operation to manufacture, process, fab-
27 ricate, finish, or assemble items for wholesale and retail distribution as
28 part of what is commonly regarded by the general public as an industrial
29 manufacturing or processing operation or an agricultural commodity
30 processing operation. (i) Industrial manufacturing or processing opera-
31 tions include, by way of illustration but not of limitation, the fabrication
32 of automobiles, airplanes, machinery or transportation equipment, the
33 fabrication of metal, plastic, wood, or paper products, electricity power
34 generation, water treatment, petroleum refining, chemical production,
35 wholesale bottling, newspaper printing, ready mixed concrete production,
36 and the remanufacturing of used parts for wholesale or retail sale. Such
37 processing operations shall include operations at an oil well, gas well, mine
38 or other excavation site where the oil, gas, minerals, coal, clay, stone, sand
39 or gravel that has been extracted from the earth is cleaned, separated,
40 crushed, ground, milled, screened, washed, or otherwise treated or pre-
41 pared before its transmission to a refinery or before any other wholesale
42 or retail distribution. (ii) Agricultural commodity processing operations
43 include, by way of illustration but not of limitation, meat packing, poultry

1 slaughtering and dressing, processing and packaging farm and dairy prod-
2 ucts in sealed containers for wholesale and retail distribution, feed grind-
3 ing, grain milling, frozen food processing, and grain handling, cleaning,
4 blending, fumigation, drying and aeration operations engaged in by grain
5 elevators or other grain storage facilities. (iii) Manufacturing or processing
6 businesses do not include, by way of illustration but not of limitation,
7 nonindustrial businesses whose operations are primarily retail and that
8 produce or process tangible personal property as an incidental part of
9 conducting the retail business, such as retailers who bake, cook or prepare
10 food products in the regular course of their retail trade, grocery stores,
11 meat lockers and meat markets that butcher or dress livestock or poultry
12 in the regular course of their retail trade, contractors who alter, service,
13 repair or improve real property, and retail businesses that clean, service
14 or refurbish and repair tangible personal property for its owner;
15 —(E)— “repair and replacement parts and accessories” means all parts
16 and accessories for exempt machinery and equipment, including, but not
17 limited to, dies, jigs, molds, patterns and safety devices that are attached
18 to exempt machinery or that are otherwise used in production, and parts
19 and accessories that require periodic replacement such as belts, drill bits,
20 grinding wheels, grinding balls, cutting bars, saws, refractory brick and
21 other refractory items for exempt kiln equipment used in production
22 operations;
23 —(F)— “primary” or “primarily” mean more than 50% of the time.
24 —(3)— For purposes of this subsection, machinery and equipment shall
25 be deemed to be used as an integral or essential part of an integrated
26 production operation when used:
27 —(A)— To receive, transport, convey, handle, treat or store raw materials
28 in preparation of its placement on the production line;
29 —(B)— to transport, convey, handle or store the property undergoing
30 manufacturing or processing at any point from the beginning of the pro-
31 duction line through any warehousing or distribution operation of the
32 final product that occurs at the plant or facility;
33 —(C)— to act upon, effect, promote or otherwise facilitate a physical
34 change to the property undergoing manufacturing or processing;
35 —(D)— to guide, control or direct the movement of property undergoing
36 manufacturing or processing;
37 —(E)— to test or measure raw materials, the property undergoing man-
38 ufacturing or processing or the finished product, as a necessary part of
39 the manufacturer’s integrated production operations;
40 —(F)— to plan, manage, control or record the receipt and flow of inven-
41 tories of raw materials, consumables and component parts, the flow of
42 the property undergoing manufacturing or processing and the manage-
43 ment of inventories of the finished product;

1 ~~—(G) to produce energy for, lubricate, control the operating of or oth-~~
2 ~~erwise enable the functioning of other production machinery and equip-~~
3 ~~ment and the continuation of production operations;~~
4 ~~—(H) to package the property being manufactured or processed in a~~
5 ~~container or wrapping in which such property is normally sold or~~
6 ~~transported;~~
7 ~~—(I) to transmit or transport electricity, coke, gas, water, steam or sim-~~
8 ~~ilar substances used in production operations from the point of genera-~~
9 ~~tion, if produced by the manufacturer or processor at the plant site, to~~
10 ~~that manufacturer's production operation; or, if purchased or delivered~~
11 ~~from offsite, from the point where the substance enters the site of the~~
12 ~~plant or facility to that manufacturer's production operations;~~
13 ~~—(J) to cool, heat, filter, refine or otherwise treat water, steam, acid,~~
14 ~~oil, solvents or other substances that are used in production operations;~~
15 ~~—(K) to provide and control an environment required to maintain cer-~~
16 ~~tain levels of air quality, humidity or temperature in special and limited~~
17 ~~areas of the plant or facility, where such regulation of temperature or~~
18 ~~humidity is part of and essential to the production process;~~
19 ~~—(L) to treat, transport or store waste or other byproducts of produc-~~
20 ~~tion operations at the plant or facility; or~~
21 ~~—(M) to control pollution at the plant or facility where the pollution is~~
22 ~~produced by the manufacturing or processing operation.~~
23 ~~—(4) The following machinery, equipment and materials shall be~~
24 ~~deemed to be exempt even though it may not otherwise qualify as ma-~~
25 ~~chinery and equipment used as an integral or essential part of an inte-~~
26 ~~grated production operation: (A) Computers and related peripheral~~
27 ~~equipment that are utilized by a manufacturing or processing business~~
28 ~~for engineering of the finished product or for research and development~~
29 ~~or product design; (B) machinery and equipment that is utilized by a~~
30 ~~manufacturing or processing business to manufacture or rebuild tangible~~
31 ~~personal property that is used in manufacturing or processing operations,~~
32 ~~including tools, dies, molds, forms and other parts of qualifying machinery~~
33 ~~and equipment; (C) portable plants for aggregate concrete, bulk cement~~
34 ~~and asphalt including cement mixing drums to be attached to a motor~~
35 ~~vehicle; (D) industrial fixtures, devices, support facilities and special foun-~~
36 ~~dations necessary for manufacturing and production operations, and ma-~~
37 ~~terials and other tangible personal property sold for the purpose of fab-~~
38 ~~ricating such fixtures, devices, facilities and foundations. An exemption~~
39 ~~certificate for such purchases shall be signed by the manufacturer or~~
40 ~~processor. If the fabricator purchases such material, the fabricator shall~~
41 ~~also sign the exemption certificate; and (E) a manufacturing or processing~~
42 ~~business' laboratory equipment that is not located at the plant or facility,~~
43 ~~but that would otherwise qualify for exemption under subsection (3)(E).~~

1 ~~—(5) “Machinery and equipment used as an integral or essential part~~
2 ~~of an integrated production operation” shall not include:~~

3 ~~—(A) Machinery and equipment used for nonproduction purposes, in-~~
4 ~~cluding, but not limited to, machinery and equipment used for plant se-~~
5 ~~curity, fire prevention, first aid, accounting, administration, record keep-~~
6 ~~ing, advertising, marketing, sales or other related activities, plant cleaning,~~
7 ~~plant communications, and employee work scheduling;~~

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

11 ~~—(C) transportation, transmission and distribution equipment not pri-~~
12 ~~marily used in a production, warehousing or material handling operation~~
13 ~~at the plant or facility, including the means of conveyance of natural gas,~~
14 ~~electricity, oil or water, and equipment related thereto, located outside~~
15 ~~the plant or facility;~~

16 ~~—(D) office machines and equipment including computers and related~~
17 ~~peripheral equipment not used directly and primarily to control or mea-~~
18 ~~sure the manufacturing process;~~

19 ~~—(E) furniture and other furnishings;~~

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

23 ~~—(G) building fixtures that are not integral to the manufacturing op-~~
24 ~~eration, such as utility systems for heating, ventilation, air conditioning,~~
25 ~~communications, plumbing or electrical;~~

26 ~~—(H) machinery and equipment used for general plant heating, cooling~~
27 ~~and lighting;~~

28 ~~—(I) motor vehicles that are registered for operation on public high-~~
29 ~~ways; or~~

30 ~~—(J) employee apparel, except safety and protective apparel that is pur-~~
31 ~~chased by an employer and furnished gratuitously to employees who are~~
32 ~~involved in production or research activities.~~

33 ~~—(6) Subsections (3) and (5) shall not be construed as exclusive listings~~
34 ~~of the machinery and equipment that qualify or do not qualify as an~~
35 ~~integral or essential part of an integrated production operation. When~~
36 ~~machinery or equipment is used as an integral or essential part of pro-~~
37 ~~duction operations part of the time and for nonproduction purpose at~~
38 ~~other times, the primary use of the machinery or equipment shall deter-~~
39 ~~mine whether or not such machinery or equipment qualifies for~~
40 ~~exemption.~~

41 ~~—(7) The secretary of revenue shall adopt rules and regulations nec-~~
42 ~~essary to administer the provisions of this subsection;~~

43 ~~—(8) all sales of educational materials purchased for distribution to the~~

1 public at no charge by a nonprofit corporation organized for the purpose
2 of encouraging, fostering and conducting programs for the improvement
3 of public health;

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

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

11 ~~—(oo) all sales of tangible personal property purchased by a community~~
12 ~~action group or agency for the exclusive purpose of repairing or weath-~~
13 ~~erizing housing occupied by low income individuals;~~

14 ~~—(pp) all sales of drill bits and explosives actually utilized in the explo-~~
15 ~~ration and production of oil or gas;~~

16 ~~(qq) (k) all sales of tangible personal property and services purchased~~
17 ~~by a nonprofit museum or historical society or any combination thereof,~~
18 ~~including a nonprofit organization which is organized for the purpose of~~
19 ~~stimulating public interest in the exploration of space by providing edu-~~
20 ~~cational information, exhibits and experiences, which is exempt from fed-~~
21 ~~eral income taxation pursuant to section 501(c)(3) of the federal internal~~
22 ~~revenue code of 1986;~~

23 ~~(rr) all sales of tangible personal property which will admit the pur-~~
24 ~~chaser thereof to any annual event sponsored by a nonprofit organization~~
25 ~~which is exempt from federal income taxation pursuant to section~~
26 ~~501(c)(3) of the federal internal revenue code of 1986;~~

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

30 ~~(tt) (l) all sales of tangible personal property and services purchased~~
31 ~~by or on behalf of a not-for-profit corporation which is exempt from fed-~~
32 ~~eral income taxation pursuant to section 501(c)(3) of the federal internal~~
33 ~~revenue code of 1986, for the sole purpose of constructing a Kansas Ko-~~
34 ~~rean War memorial;~~

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

38 ~~—(vv) all sales of tangible personal property purchased by any of the~~
39 ~~following organizations which are exempt from federal income taxation~~
40 ~~pursuant to section 501 (c)(3) of the federal internal revenue code of~~
41 ~~1986, for the following purposes, and all sales of any such property by or~~
42 ~~on behalf of any such organization for any such purpose:~~

43 ~~—(1) The American Heart Association, Kansas Affiliate, Inc. for the~~

1 purposes of providing education, training, certification in emergency car-
2 diae care, research and other related services to reduce disability and
3 death from cardiovascular diseases and stroke;
4 — (2) the Kansas Alliance for the Mentally Ill, Inc. for the purpose of
5 advocacy for persons with mental illness and to education, research and
6 support for their families;
7 — (3) the Kansas Mental Illness Awareness Council for the purposes of
8 advocacy for persons who are mentally ill and to education, research and
9 support for them and their families;
10 — (4) the American Diabetes Association Kansas Affiliate, Inc. for the
11 purpose of eliminating diabetes through medical research, public edu-
12 cation focusing on disease prevention and education, patient education
13 including information on coping with diabetes, and professional education
14 and training;
15 — (5) the American Lung Association of Kansas, Inc. for the purpose of
16 eliminating all lung diseases through medical research, public education
17 including information on coping with lung diseases, professional educa-
18 tion and training related to lung disease and other related services to
19 reduce the incidence of disability and death due to lung disease;
20 — (6) the Kansas chapters of the Alzheimer's Disease and Related Dis-
21 orders Association, Inc. for the purpose of providing assistance and sup-
22 port to persons in Kansas with Alzheimer's disease, and their families and
23 caregivers;
24 — (7) the Kansas chapters of the Parkinson's disease association for the
25 purpose of eliminating Parkinson's disease through medical research and
26 public and professional education related to such disease; and
27 — (8) the National Kidney Foundation of Kansas and Western Missouri
28 for the purpose of eliminating kidney disease through medical research
29 and public and private education related to such disease;
30 — (ww) (m) all sales of tangible personal property purchased by the
31 Habitat for Humanity for the exclusive use of being incorporated within
32 a housing project constructed by such organization;
33 ~~(xx)~~ (n) all sales of tangible personal property and services purchased
34 by a nonprofit zoo which is exempt from federal income taxation pursuant
35 to section 501(c)(3) of the federal internal revenue code of 1986, or on
36 behalf of such zoo by an entity itself exempt from federal income taxation
37 pursuant to section 501(c)(3) of the federal internal revenue code of 1986
38 contracted with to operate such zoo and all sales of tangible personal
39 property or services purchased by a contractor for the purpose of con-
40 structing, equipping, reconstructing, maintaining, repairing, enlarging,
41 furnishing or remodeling facilities for any nonprofit zoo which would be
42 exempt from taxation under the provisions of this section if purchased
43 directly by such nonprofit zoo or the entity operating such zoo. Nothing

1 in this subsection shall be deemed to exempt the purchase of any con-
2 struction machinery, equipment or tools used in the constructing, equip-
3 ping, reconstructing, maintaining, repairing, enlarging, furnishing or re-
4 modeling facilities for any nonprofit zoo. When any nonprofit zoo shall
5 contract for the purpose of constructing, equipping, reconstructing, main-
6 taining, repairing, enlarging, furnishing or remodeling facilities, it shall
7 obtain from the state and furnish to the contractor an exemption certifi-
8 cate for the project involved, and the contractor may purchase materials
9 for incorporation in such project. The contractor shall furnish the number
10 of such certificate to all suppliers from whom such purchases are made,
11 and such suppliers shall execute invoices covering the same bearing the
12 number of such certificate. Upon completion of the project the contractor
13 shall furnish to the nonprofit zoo concerned a sworn statement, on a form
14 to be provided by the director of taxation, that all purchases so made were
15 entitled to exemption under this subsection. All invoices shall be held by
16 the contractor for a period of five years and shall be subject to audit by
17 the director of taxation. If any materials purchased under such a certifi-
18 cate are found not to have been incorporated in the building or other
19 project or not to have been returned for credit or the sales or compen-
20 sating tax otherwise imposed upon such materials which will not be so
21 incorporated in the building or other project reported and paid by such
22 contractor to the director of taxation not later than the 20th day of the
23 month following the close of the month in which it shall be determined
24 that such materials will not be used for the purpose for which such cer-
25 tificate was issued, the nonprofit zoo concerned shall be liable for tax on
26 all materials purchased for the project, and upon payment thereof it may
27 recover the same from the contractor together with reasonable attorney
28 fees. Any contractor or any agent, employee or subcontractor thereof,
29 who shall use or otherwise dispose of any materials purchased under such
30 a certificate for any purpose other than that for which such a certificate
31 is issued without the payment of the sales or compensating tax otherwise
32 imposed upon such materials, shall be guilty of a misdemeanor and, upon
33 conviction therefor, shall be subject to the penalties provided for in sub-
34 section (g) of K.S.A. 79-3615, and amendments thereto;

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

38 ~~—(zz) all sales of machinery and equipment purchased by over-the-air,~~
39 ~~free access radio or television station which is used directly and primarily~~
40 ~~for the purpose of producing a broadcast signal or is such that the failure~~
41 ~~of the machinery or equipment to operate would cause broadcasting to~~
42 ~~cease. For purposes of this subsection, machinery and equipment shall~~
43 ~~include, but not be limited to, that required by rules and regulations of~~

1 ~~the federal communications commission, and all sales of electricity which~~
2 ~~are essential or necessary for the purpose of producing a broadcast signal~~
3 ~~or is such that the failure of the electricity would cause broadcasting to~~
4 ~~cease;~~

5 (aaa)(o) all sales of tangible personal property and services purchased
6 by a religious organization which is exempt from federal income taxation
7 pursuant to section 501(c)(3) of the federal internal revenue code, and
8 used exclusively for religious purposes, and all sales of tangible personal
9 property or services purchased by a contractor for the purpose of con-
10 structing, equipping, reconstructing, maintaining, repairing, enlarging,
11 furnishing or remodeling facilities for any such organization which would
12 be exempt from taxation under the provisions of this section if purchased
13 directly by such organization. Nothing in this subsection shall be deemed
14 to exempt the purchase of any construction machinery, equipment or
15 tools used in the constructing, equipping, reconstructing, maintaining,
16 repairing, enlarging, furnishing or remodeling facilities for any such or-
17 ganization. When any such organization shall contract for the purpose of
18 constructing, equipping, reconstructing, maintaining, repairing, enlarg-
19 ing, furnishing or remodeling facilities, it shall obtain from the state and
20 furnish to the contractor an exemption certificate for the project involved,
21 and the contractor may purchase materials for incorporation in such pro-
22 ject. The contractor shall furnish the number of such certificate to all
23 suppliers from whom such purchases are made, and such suppliers shall
24 execute invoices covering the same bearing the number of such certifi-
25 cate. Upon completion of the project the contractor shall furnish to such
26 organization concerned a sworn statement, on a form to be provided by
27 the director of taxation, that all purchases so made were entitled to ex-
28 emption under this subsection. All invoices shall be held by the contractor
29 for a period of five years and shall be subject to audit by the director of
30 taxation. If any materials purchased under such a certificate are found
31 not to have been incorporated in the building or other project or not to
32 have been returned for credit or the sales or compensating tax otherwise
33 imposed upon such materials which will not be so incorporated in the
34 building or other project reported and paid by such contractor to the
35 director of taxation not later than the 20th day of the month following
36 the close of the month in which it shall be determined that such materials
37 will not be used for the purpose for which such certificate was issued,
38 such organization concerned shall be liable for tax on all materials pur-
39 chased for the project, and upon payment thereof it may recover the same
40 from the contractor together with reasonable attorney fees. Any contrac-
41 tor or any agent, employee or subcontractor thereof, who shall use or
42 otherwise dispose of any materials purchased under such a certificate for
43 any purpose other than that for which such a certificate is issued without

1 the payment of the sales or compensating tax otherwise imposed upon
2 such materials, shall be guilty of a misdemeanor and, upon conviction
3 therefor, shall be subject to the penalties provided for in subsection (g)
4 of K.S.A. 79-3615, and amendments thereto. Sales tax paid on and after
5 July 1, 1998, but prior to the effective date of this act upon the gross
6 receipts received from any sale exempted by the amendatory provisions
7 of this subsection shall be refunded. Each claim for a sales tax refund
8 shall be verified and submitted to the director of taxation upon forms
9 furnished by the director and shall be accompanied by any additional
10 documentation required by the director. The director shall review each
11 claim and shall refund that amount of sales tax paid as determined under
12 the provisions of this subsection. All refunds shall be paid from the sales
13 tax refund fund upon warrants of the director of accounts and reports
14 pursuant to vouchers approved by the director or the director's designee;

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

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

1 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. If any materials
5 purchased under such a certificate are found not to have been incorpo-
6 rated in the building or other project or not to have been returned for
7 credit or the sales or compensating tax otherwise imposed upon such
8 materials which will not be so incorporated in the building or other pro-
9 ject reported and paid by such contractor to the director of taxation not
10 later than the 20th day of the month following the close of the month in
11 which it shall be determined that such materials will not be used for the
12 purpose for which such certificate was issued, such clinic or center con-
13 cerned shall be liable for tax on all materials purchased for the project,
14 and upon payment thereof it may recover the same from the contractor
15 together with reasonable attorney fees. Any contractor or any agent, em-
16 ployee or subcontractor thereof, who shall use or otherwise dispose of
17 any materials purchased under such a certificate for any purpose other
18 than that for which such a certificate is issued without the payment of
19 the sales or compensating tax otherwise imposed upon such materials,
20 shall be guilty of a misdemeanor and, upon conviction therefor, shall be
21 subject to the penalties provided for in subsection (g) of K.S.A. 79-3615,
22 and amendments thereto;

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

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

38 ~~(fff) (p)~~ all sales of material handling equipment, racking systems and
39 other related machinery and equipment that is used for the handling,
40 movement or storage of tangible personal property in a warehouse or
41 distribution facility in this state; all sales of installation, repair and main-
42 tenance services performed on such machinery and equipment; and all
43 sales of repair and replacement parts for such machinery and equipment.

1 For purposes of this subsection, a warehouse or distribution facility means
 2 a single, fixed location that consists of buildings or structures in a contig-
 3 uous area where storage or distribution operations are conducted that are
 4 separate and apart from the business' retail operations, if any, and which
 5 do not otherwise qualify for exemption as occurring at a manufacturing
 6 or processing plant or facility. Material handling and storage equipment
 7 shall include aeration, dust control, cleaning, handling and other such
 8 equipment that is used in a public grain warehouse or other commercial
 9 grain storage facility, whether used for grain handling, grain storage, grain
 10 refining or processing, or other grain treatment operation; ~~and~~

11 ~~(ggg)~~ (q) all sales of tangible personal property and services pur-
 12 chased by or on behalf of the Kansas Academy of Science which is exempt
 13 from federal income taxation pursuant to section 501(c)(3) of the federal
 14 internal revenue code of 1986, and used solely by such academy for the
 15 preparation, publication and dissemination of education materials; and

16 (r) all sales of food for human consumption. As used in this subsection,
 17 "food for human consumption" means only that food which is eligible for
 18 purchase with food stamps issued by the United States department of
 19 agriculture pursuant to regulations in effect on July 1, 2002, regardless
 20 of whether the retailer from which the food is purchased is participating
 21 in the food stamp program. Such phrase shall not include: (1) Meals pre-
 22 pared for immediate consumption on or off the premises of the retailer;
 23 or (2) food sold through vending machines.

24 Sec. 3. K.S.A. 40-252 is hereby amended to read as follows: 40-252.
 25 Every insurance company or fraternal benefit society organized under the
 26 laws of this state or doing business in this state shall pay to the commis-
 27 sioner of insurance fees ~~and taxes~~ specified in the following schedule:

A

Insurance companies organized under the laws of this state:

| | | |
|----|---|-------|
| 30 | 1. Capital stock insurance companies and mutual legal reserve life insurance companies: | |
| 31 | Filing application for sale of stock or certificates of indebtedness..... | \$25 |
| 32 | Admission fees: | |
| 33 | Examination of charter and other documents | 500 |
| 34 | Filing annual statement | 100 |
| 35 | Certificate of authority..... | 10 |
| 36 | Annual fees: | |
| 37 | Filing annual statement | 100 |
| 38 | Continuation of certificate of authority | 10 |
| 39 | 2. Mutual life, accident and health associations: | |
| 40 | Admission fees: | |
| 41 | Examination of charter and other documents | \$500 |
| 42 | Filing annual statement | 100 |
| 43 | Certificate of authority..... | 10 |

1 Annual fees:

2 Filing annual statement 100

3 Continuation of certificate of authority 10

4 3. Mutual fire, hail, casualty and multiple line insurers and reciprocal or interinsurance

5 exchanges:

6 Admission fees:

7 Examination of charter and other documents \$500

8 Filing annual statement 100

9 Certificate of authority..... 10

10 Annual fees:

11 Filing annual statement 100

12 Continuation of certificate of authority 10

13 In addition to the above fees and as a condition precedent to the con-

14 tinuation of the certificate of authority provided in this code, all such

15 companies shall pay a fee of \$2 for each agent certified by the company

16 and shall also pay a tax annually upon all premiums received on risk lo-

17 cated in this state at the rate of 1% for tax year 1997, and 2% for all tax

18 years thereafter per annum less (1) for tax years prior to 1984, any taxes

19 paid on business in this state pursuant to the provisions of K.S.A. 40-1701

20 to 40-1707, inclusive, and 75-1508 and amendments thereto and (2) for

21 tax years 1984 and thereafter, any taxes paid on business in this state

22 pursuant to the provisions of K.S.A. 75-1508 and amendments thereto

23 and the amount of the firefighters relief tax credit determined by the

24 commissioner of insurance. The amount of the firefighters relief tax credit

25 for a company for the current tax year shall be determined by the com-

26 missioner of insurance by dividing (A) the total amount of credits against

27 the tax imposed by this section for taxes paid by all such companies on

28 business in this state under K.S.A. 40-1701 to 40-1707, inclusive, and

29 amendments thereto for tax year 1983, by (B) the total amount of taxes

30 paid by all such companies on business in this state under K.S.A. 40-1703

31 and amendments thereto for the tax year immediately preceding the cur-

32 rent tax year, and by multiplying the result so obtained by (C) the amount

33 of taxes paid by the company on business in this state under K.S.A. 40-

34 1703 and amendments thereto for the current tax year.

35 In the computation of the gross premiums all such companies shall be

36 entitled to deduct any premiums returned on account of cancellations,

37 including funds accepted before January 1, 1997, and declared and taxed

38 as annuity premiums which, on or after January 1, 1997, are withdrawn

39 before application to the purchase of annuities, all premiums received for

40 reinsurance from any other company authorized to do business in this

41 state, dividends returned to policyholders and premiums received in con-

42 nection with the funding of a pension, deferred compensation, annuity

43 or profit sharing plan qualified or exempt under sections 401, 403, 404,

1 ~~408, 457 or 501 of the United States internal revenue code of 1986. Funds~~
2 ~~received by life insurers for the purchase of annuity contracts and funds~~
3 ~~applied by life insurers to the purchase of annuities shall not be deemed~~
4 ~~taxable premiums or be subject to tax under this section for tax years~~
5 ~~commencing on or after January 1, 1997.~~

6 B

7 *Fraternal benefit societies organized under the laws of this state:*

8 Admission fees:

| | |
|--|-------|
| 9 Examination of charter and other documents | \$500 |
| 10 Filing annual statement | 100 |
| 11 Certificate of authority..... | 10 |

12 Annual fees:

| | |
|---|-----|
| 13 Filing annual statement | 100 |
| 14 Continuation of certificate of authority | 10 |

15 C

16 *Mutual nonprofit hospital service corporations, nonprofit medical service corporations, non-*
17 *profit dental service corporations, nonprofit optometric service corporations and non-*
18 *profit pharmacy service corporations organized under the laws of this state:*

19 1. Mutual nonprofit hospital service corporations:

20 Admission fees:

| | |
|---|-------|
| 21 Examination of charter and other documents | \$500 |
| 22 Filing annual statement | 100 |
| 23 Certificate of authority..... | 10 |

24 Annual fees:

| | |
|---|-----|
| 25 Filing annual statement | 100 |
| 26 Continuation of certificate of authority | 10 |

27 2. Nonprofit medical service corporations:

28 Admission fees:

| | |
|---|-------|
| 29 Examination of charter and other documents | \$500 |
| 30 Filing annual statement | 100 |
| 31 Certificate of authority..... | 10 |

32 Annual fees:

| | |
|---|-----|
| 33 Filing annual statement | 100 |
| 34 Continuation of certificate of authority | 10 |

35 3. Nonprofit dental service corporations:

36 Admission fees:

| | |
|---|-------|
| 37 Examination of charter and other documents | \$500 |
| 38 Filing annual statement | 100 |
| 39 Certificate of authority..... | 10 |

40 Annual fees:

| | |
|---|-----|
| 41 Filing annual statement | 100 |
| 42 Continuation of certificate of authority | 10 |

43 4. Nonprofit optometric service corporations:

1 Admission fees:

| | |
|--|-------|
| 2 Examination of charter and other documents | \$500 |
| 3 Filing annual statement | 100 |
| 4 Certificate of authority..... | 10 |

5 Annual fees:

| | |
|--|-----|
| 6 Filing annual statement | 100 |
| 7 Continuation of certificate of authority | 10 |

8 5. Nonprofit pharmacy service corporations:

9 Admission fees:

| | |
|---|-------|
| 10 Examination of charter and other documents | \$500 |
| 11 Filing annual statement | 100 |
| 12 Certificate of authority..... | 10 |

13 Annual fees:

| | |
|---|-----|
| 14 Filing annual statement | 100 |
| 15 Continuation of certificate of authority | 10 |

16 ~~In addition to the above fees and as a condition precedent to the con-~~
 17 ~~tinuation of the certificate of authority, provided in this code, every cor-~~
 18 ~~poration or association shall pay annually to the commissioner of insur-~~
 19 ~~ance a tax in an amount equal to 1% for tax year 1997, and 2% for all tax~~
 20 ~~years thereafter per annum of the total of all premiums, subscription~~
 21 ~~charges, or any other term which may be used to describe the charges~~
 22 ~~made by such corporation or association to subscribers for hospital, med-~~
 23 ~~ical or other health services or indemnity received during the preceding~~
 24 ~~year. In such computations all such corporations or associations shall be~~
 25 ~~entitled to deduct any premiums or subscription charges returned on~~
 26 ~~account of cancellations and dividends returned to members or subscri-~~
 27 ~~bers.~~

28 D

29 *Insurance companies organized under the laws of any other state, territory or country:*

30 1. Capital stock insurance companies and mutual legal reserve life insurance companies:

| | |
|--|------|
| 31 Filing application for sale of stock or certificates of indebtedness..... | \$25 |
|--|------|

32 Admission fees:

| | |
|---|-----|
| 33 Examination of charter and other documents | 500 |
| 34 Filing annual statement | 100 |
| 35 Certificate of authority..... | 10 |

36 Annual fees:

| | |
|---|-----|
| 37 Filing annual statement | 100 |
| 38 Continuation of certificate of authority | 10 |

39 In addition to the above fees all such companies shall pay \$5 for each
40 agent certified by the company, except as otherwise provided by law.

41 ~~As a condition precedent to the continuation of the certificate of au-~~
 42 ~~thority, provided in this code, every company organized under the laws~~
 43 ~~of any other state of the United States or of any foreign country shall pay~~

1 a tax upon all premiums received during the preceding year at the rate
2 of 2% per annum.

3 — In the computation of the gross premiums all such companies shall be
4 entitled to deduct any premiums returned on account of cancellations,
5 including funds accepted before January 1, 1997, and declared and taxed
6 as annuity premiums which, on or after January 1, 1997, are withdrawn
7 before application to the purchase of annuities, dividends returned to
8 policyholders and all premiums received for reinsurance from any other
9 company authorized to do business in this state and premiums received
10 in connection with the funding of a pension, deferred compensation, an-
11 nuity or profit sharing plan qualified or exempt under sections 401, 403,
12 404, 408, 457 or 501 of the United States internal revenue code of 1986.
13 Funds received by life insurers for the purchase of annuity contracts and
14 funds applied by life insurers to the purchase of annuities shall not be
15 deemed taxable premiums or be subject to tax under this section for tax
16 years commencing on or after January 1, 1997.

17 2. Mutual life, accident and health associations:

18 Admission fees:

| | |
|---|-------|
| 19 Examination of charter and other documents | \$500 |
| 20 Filing annual statement | 100 |
| 21 Certificate of authority..... | 10 |

22 Annual fees:

| | |
|---|-----|
| 23 Filing annual statement | 100 |
| 24 Continuation of certificate of authority | 10 |

25 In addition to the above fees, every such company organized under the
26 laws of any other state of the United States shall pay \$5 for each agent
27 certified by the company, and shall pay a tax annually upon all premiums
28 received at the rate of 2% per annum.

29 In the computation of the gross premiums all such companies shall be
30 entitled to deduct any premiums returned on account of cancellations,
31 including funds accepted before January 1, 1997, and declared and taxed
32 as annuity premiums which, on or after January 1, 1997, are withdrawn
33 before application to the purchase of annuities, dividends returned to
34 policyholders and all premiums received for reinsurance from any other
35 company authorized to do business in this state and premiums received
36 in connection with the funding of a pension, deferred compensation, an-
37 nuity or profit sharing plan qualified or exempt under sections 401, 403,
38 404, 408, 457 or 501 of the United States internal revenue code of 1986.
39 Funds received by life insurers for the purchase of annuity contracts and
40 funds applied by life insurers to the purchase of annuities shall not be
41 deemed taxable premiums or be subject to tax under this section for tax
42 years commencing on or after January 1, 1997.

43 3. Mutual fire, casualty and multiple line insurers and reciprocal or interinsurance ex-

1 changes:

2 Admission fees:

3 Examination of charter and other documents and issuance of certificate

4 of authority \$500

5 Filing annual statement 100

6 Certificate of authority 10

7 Annual fees:

8 Filing annual statement 100

9 Continuation of certificate of authority 10

10 In addition to the above fees, every such company or association or-
 11 ganized under the laws of any other state of the United States shall pay
 12 a fee of \$5 for each agent certified by the company ~~and shall also pay a~~
 13 ~~tax annually upon all premiums received at the rate of 2% per annum.~~

14 For tax years 1998 and thereafter, the annual tax shall be reduced by
 15 the “applicable percentage” of (1) any taxes paid on business in this state
 16 pursuant to the provisions of K.S.A. 75-1508 and amendments thereto
 17 and (2) the amount of the firefighters relief tax credit determined by the
 18 commissioner of insurance. The amount of the firefighters relief tax credit
 19 for a company taxable under this subsection for the current tax year shall
 20 be determined by the commissioner of insurance by dividing (A) the total
 21 amount of taxes paid by all such companies on business in this state under
 22 K.S.A. 40-1701 to 40-1707 and amendments thereto for tax year 1993 as
 23 then in effect, by (B) the total amount of taxes paid by all such companies
 24 on business in this state under K.S.A. 40-1703 and amendments thereto
 25 for the tax year immediately preceding the current tax year, and by mul-
 26 tiplying the result so obtained by (C) the amount of taxes paid by the
 27 company on business in this state under K.S.A. 40-1703 and amendments
 28 thereto for the current tax year. The “applicable percentage” shall be as
 29 follows:

| Tax Year | Applicable Percentage |
|------------------------|-----------------------|
| 31 1998 | 10% |
| 32 1999 | 20% |
| 33 2000 | 30% |
| 34 2001 | 40% |
| 35 2002 | 50% |
| 36 2003 | 60% |
| 37 2004 | 70% |
| 38 2005 | 80% |
| 39 2006 | 90% |
| 40 2007 and thereafter | 100% |

41 — In the computation of the gross premiums all such companies shall be
 42 entitled to deduct any premiums returned on account of cancellations, all
 43 premiums received for reinsurance from any other company authorized

~~to do business in this state, and dividends returned to policyholders.~~

E

Fraternal benefit societies organized under the laws of any other state, territory or country:

Admission fees:

| | |
|--|-------|
| Examination of charter and other documents | \$500 |
| Filing annual statement | 100 |
| Certificate of authority..... | 10 |

Annual fees:

| | |
|--|-----|
| Filing annual statement | 100 |
| Continuation of certificate of authority | 10 |

F

Mutual nonprofit hospital service corporations, nonprofit medical service corporations, nonprofit dental service corporations, nonprofit optometric service corporations and nonprofit pharmacy service corporations organized under the laws of any other state, territory or country:

1. Mutual nonprofit hospital service corporations:

Admission fees:

| | |
|--|-------|
| Examination of charter and other documents | \$500 |
| Filing annual statement | 100 |
| Certificate of authority | 10 |

Annual fees:

| | |
|--|-----|
| Filing annual statement | 100 |
| Continuation of certificate of authority | 10 |

2. Nonprofit medical service corporations, nonprofit dental service corporations, nonprofit optometric service corporations and nonprofit pharmacy service corporations:

Admission fees:

| | |
|--|-------|
| Examination of charter and other documents | \$500 |
| Filing annual statement | 100 |
| Certificate of authority..... | 10 |

Annual fees:

| | |
|--|-----|
| Filing annual statement | 100 |
| Continuation of certificate of authority | 10 |

~~In addition to the above fees and as a condition precedent to the continuation of the certificate of authority, provided in this code, every corporation or association shall pay annually to the commissioner of insurance a tax in an amount equal to 2% per annum of the total of all premiums, subscription charges, or any other term which may be used to describe the charges made by such corporation or association to subscribers in this state for hospital, medical or other health services or indemnity received during the preceding year. In such computations all such corporations or associations shall be entitled to deduct any premiums or subscription charges returned on account of cancellations and dividends returned to members or subscribers.~~

G

Payment of Taxes.

For the purpose of insuring the collection of the tax upon premiums, assessments and charges as set out in subsection A, C, D or F, every insurance company, corporation or association shall at the time it files its annual statement, as required by the provisions of K.S.A. 40-225, and amendments thereto, make a return, verified by affidavits of its president and secretary or other chief officers, to the commissioner of insurance, stating the amount of all premiums, assessments and charges received by the companies or corporations in this state, whether in cash or notes, during the year ending on the December 31 next preceding.

—Commencing in 1985 and annually thereafter the estimated taxes shall be paid as follows: On or before June 15 and December 15 of such year an amount equal to 50% of the full amount of the prior year's taxes as reported by the company shall be remitted to the commissioner of insurance. As used in this paragraph, "prior year's taxes" includes (1) taxes assessed pursuant to this section for the prior calendar year, (2) fees and taxes assessed pursuant to K.S.A. 40-253, and amendments thereto, for the prior calendar year, and (3) taxes paid for maintenance of the department of the state fire marshal pursuant to K.S.A. 75-1508, and amendments thereto, for the prior calendar year.

—Upon the receipt of such returns the commissioner of insurance shall verify the same and assess the taxes upon such companies, corporations or associations on the basis and at the rate provided herein and the balance of such taxes shall thereupon become due and payable giving credit for amounts paid pursuant to the preceding paragraph, or the commissioner shall make a refund if the taxes paid in the prior June and December are in excess of the taxes assessed.

H (G)

The fee prescribed for the examination of charters and other documents shall apply to each company's initial application for admission and shall not be refundable for any reason.

Sec. 4. K.S.A. 40-252 and K.S.A. 2001 Supp. 79-1107, 79-1108, 79-32,110, 79-3603, 79-3603b and 79-3606 are hereby repealed.

Sec. 5. This act shall take effect and be in force from and after January 1, 2003, and its publication in the statute book.