

SENATE Substitute for HOUSE BILL No. 2208

AN ACT concerning tax increment financing and sales tax revenue bonds; relating to redevelopment of certain property located throughout the state; amending K.S.A. 12-1770a, 12-1774 and 74-8017 and K.S.A. 2002 Supp. 79-3620 and 79-3710 and repealing the existing sections.

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

Section 1. K.S.A. 12-1770a is hereby amended to read as follows: 12-1770a. As used in this act, unless the context clearly shows otherwise:

(a) "Auto race track facility" means: (1) An auto race track facility and facilities directly related and necessary to the operation of an auto race track facility, including, but not limited to, grandstands, suites and viewing areas, concessions, souvenir facilities, catering facilities, visitor and retail centers, signage and temporary hospitality facilities, but excluding (2) hotels, motels, restaurants and retail facilities, not directly related to or necessary to the operation of such facility.

(b) "Base year assessed valuation" means the assessed valuation of all real property within the boundaries of a redevelopment district on the date the redevelopment district was established.

(c) "Blighted area" means an area which:

(1) Because of the presence of a majority of the following factors, substantially impairs or arrests the development and growth of the municipality or constitutes an economic or social liability or is a menace to the public health, safety, morals or welfare in its present condition and use:

(A) A substantial number of deteriorated or deteriorating structures;

(B) predominance of defective or inadequate street layout;

(C) unsanitary or unsafe conditions;

(D) deterioration of site improvements;

(E) tax or special assessment delinquency exceeding the fair market value of the real property;

(F) defective or unusual conditions of title including but not limited to cloudy or defective titles, multiple or unknown ownership interests to the property;

(G) improper subdivision or obsolete platting or land uses;

(H) the existence of conditions which endanger life or property by fire or other causes; or

(I) conditions which create economic obsolescence; or

(2) has been identified by any state or federal environmental agency as being environmentally contaminated to an extent that requires a remedial investigation; feasibility study and remediation or other similar state or federal action; or

(3) previously was found by resolution of the governing body to be a slum or a blighted area under K.S.A. 17-4742 *et seq.*, and amendments thereto.

(d) "Conservation area" means any improved area comprising 15% or less of the land area within the corporate limits of a city in which 50% or more of the structures in the area have an age of 35 years or more, which area is not yet blighted, but may become a blighted area due to the existence of a combination of two or more of the following factors:

(1) Dilapidation, obsolescence or deterioration of the structures;

(2) illegal use of individual structures;

(3) the presence of structures below minimum code standards;

(4) building abandonment;

(5) excessive vacancies;

(6) overcrowding of structures and community facilities; or

(7) inadequate utilities and infrastructure.

(e) "De minimus" means an amount less than 15% of the land area within a redevelopment district.

(f) "Developer" means any person, firm, corporation, partnership or limited liability company, other than a city.

(g) "Eligible area" means a blighted area, conservation area, enterprise zone, historic theater ~~or~~, major tourism area or a major commercial entertainment and tourism area as determined by the secretary.

(h) "Enterprise zone" means an area within a city that was designated as an enterprise zone prior to July 1, 1992, pursuant to K.S.A. 12-17,107 through 12-17,113, and amendments thereto, prior to its repeal and the conservation, development or redevelopment of the area is necessary to promote the general and economic welfare of such city.

(i) “Environmental increment” means the increment determined pursuant to subsection (b) of K.S.A. 12-1771a, and amendments thereto.

(j) “Environmentally contaminated area” means an area of land having contaminated groundwater or soil which is deemed environmentally contaminated by the department of health and environment or the United States environmental protection agency.

(k) “Feasibility study” means a study which shows whether a redevelopment or special bond project’s benefits and tax increment revenue and other available revenues under K.S.A. 12-1774 (a)(1), and amendments thereto, are expected to exceed or be sufficient to pay for the redevelopment or special bond project costs and the effect, if any, the redevelopment or special bond project will have on any outstanding special obligation bonds as authorized pursuant to subsection (a)(1)(D) of K.S.A. 12-1774, and amendments thereto.

(l) “Historic theater” means a building constructed prior to 1940 which was constructed for the purpose of staging entertainment, including motion pictures, vaudeville shows or operas, that is operated by a nonprofit corporation and is designated by the state historic preservation officer as eligible to be on the Kansas register of historic places or is a member of the Kansas historic theatre association.

(m) “Historic theater sales tax increment” means the amount of state and local sales tax revenue imposed pursuant to K.S.A. 12-187 et seq., 79-3601 et seq. and 79-3701 et seq., and amendments thereto, collected from taxpayers doing business within the historic theater that is in excess of the amount of such taxes collected prior to the designation of the building as a historic theater for purposes of this act.

(n) “Major tourism area” means an area for which the secretary has made a finding the capital improvements costing not less than \$100,000,000 will be built in the state to construct an auto race track facility.

(o) “Real property taxes” means all taxes levied on an ad valorem basis upon land and improvements thereon.

(p) “Redevelopment project area” or “project area” means an area designated by a city within a redevelopment district.

(q) “Redevelopment project costs” means those costs necessary to implement a redevelopment plan, including, but not limited to costs incurred for:

- (1) Acquisition of property within the redevelopment project area;
- (2) payment of relocation assistance;
- (3) site preparation including utility relocations;
- (4) sanitary and storm sewers and lift stations;
- (5) drainage conduits, channels and levees and river walk canal facilities;
- (6) street grading, paving, graveling, macadamizing, curbing, guttering and surfacing;
- (7) street light fixtures, connection and facilities;
- (8) underground gas, water, heating and electrical services and connections located within the public right-of-way;
- (9) sidewalks and pedestrian underpasses or overpasses;
- (10) drives and driveway approaches located within the public right-of-way;
- (11) water mains and extensions;
- (12) plazas and arcades;
- (13) parking facilities;
- (14) landscaping and plantings, fountains, shelters, benches, sculptures, lighting, decorations and similar amenities; and
- (15) all related expenses to redevelop and finance the redevelopment project.

Redevelopment project costs shall not include costs incurred in connection with the construction of buildings or other structures to be owned by or leased to a developer, however, the “redevelopment project costs” shall include costs incurred in connection with the construction of buildings or other structures to be owned or leased to a developer which includes an auto race track facility or is in a redevelopment district including some or all of the land and buildings comprising a state mental institution closed pursuant to section 2 of chapter 219 of the 1995 Session Laws of Kansas.

(r) “Redevelopment district” means the specific area declared to be

an eligible area in which the city may develop one or more redevelopment projects.

(s) “Redevelopment district plan” or “district plan” means the preliminary plan that identifies all of the proposed redevelopment project areas and identifies in a general manner all of the buildings, facilities and improvements in each that are proposed to be constructed or improved in each redevelopment project area.

(t) “Redevelopment project” means the approved project to implement a project plan for the development of the established redevelopment district.

(u) “Redevelopment project plan” or “project plan” means the plan adopted by a municipality for the development of a redevelopment project or projects which conforms with K.S.A. 12-1772, and amendments thereto, in a redevelopment district.

(v) “Secretary” means the secretary of commerce and housing.

(w) “Substantial change” means, as applicable, a change wherein the proposed plan or plans differ substantially from the intended purpose for which the district plan or project plan was approved.

(x) “Tax increment” means that amount of real property taxes collected from real property located within the redevelopment district that is in excess of the amount of real property taxes which is collected from the base year assessed valuation.

(y) “Taxing subdivision” means the county, city, unified school district and any other taxing subdivision levying real property taxes, the territory or jurisdiction of which includes any currently existing or subsequently created redevelopment district.

(z) “Special bond project” means a project with at least a \$50,000,000 capital investment and \$50,000,000 in projected gross annual sales revenues or for areas outside of metropolitan statistical areas, as defined by the federal office of management and budget as of June 30, 1999, the secretary finds the project meets the requirements of subsection (g) and would be of regional or statewide importance, but a “special bond project” shall not include a project for a gambling casino.

(aa) “Marketing study” means a study conducted to examine the impact of the redevelopment or special bond project upon similar businesses in the projected market area.

(bb) “Projected market area” means any area within the state in which the redevelopment or special bond project is projected to have a substantial fiscal or market impact upon businesses in such area.

(cc) “River walk canal facilities” means a canal and related water features located adjacent to a river which flows through a major commercial entertainment and tourism area and facilities related or contiguous thereto, including, but not limited to pedestrian walkways and promenades, landscaping and parking facilities.

(dd) “Commence work” means the manifest commencement of actual operations on the development site, such as, erecting a building, excavating the ground to lay a foundation or a basement or work of like description which a person with reasonable diligence can see and recognize as being done with the intention and purpose to continue work until the project is completed.

(ee) “Major commercial entertainment and tourism area” shall include, but not be limited to, a major multi-sport athletic complex.

(ff) “Major multi-sport athletic complex” means an athletic complex that is utilized for the training of athletes, the practice of athletic teams, the playing of athletic games or the hosting of events. Such project may include playing fields, parking lots and other developments.

New Sec. 2. (a) The governing body of a city may establish one or more special bond projects in any area within such city. The special bond projects shall be eligible for financing by special obligation bonds payable from revenues described by subsection (a)(1)(D) of K.S.A. 12-1774, and amendments thereto. Each special bond project shall first be approved by the secretary. The secretary may approve a special bond project located in a redevelopment district established by a city prior to the effective date of this act. A special bond project shall not be granted to any business that proposes to relocate its business from another area of the state into such city, for the purpose of consideration for a special bond project and shall not receive any of the benefits provided by K.S.A. 12-1770 *et seq.*,

and amendments thereto. A special bond project shall not be approved by the secretary if the marketing study required by section 3, and amendments thereto, indicates a substantial negative impact upon businesses in the project market area or the granting of such project would cause a default in the payment of any outstanding special obligation bonds as authorized pursuant to subsection (a)(1)(D) of K.S.A. 12-1774, and amendments thereto.

(b) The maximum maturity of special obligation bonds payable primarily from revenues described by subsection (a)(1)(D) of K.S.A. 12-1774, and amendments thereto, to finance special bond projects pursuant to this section shall not exceed 20 years.

(c) Any redevelopment project plan in a redevelopment district located in the city of Wichita that is eligible for benefits provided by K.S.A. 12-1774 *et seq.*, and amendments thereto, and includes an arena or arena-like structure shall be subject to approval by a vote by the citizens of Wichita at an election held for this purpose prior to approval by the secretary of commerce and housing.

New Sec. 3. (a) Any city proposing to undertake a special bond project established pursuant to section 2, and amendments thereto, shall prepare a project plan in consultation with the planning commission of the city. The project plan shall include:

- (1) A summary of the feasibility study done as defined in K.S.A. 12-1770a, and amendments thereto, which will be an open record;
- (2) a summary of the marketing study done as defined in K.S.A. 12-1770a, and amendments thereto, which will be an open record;
- (3) a reference to the district plan established under K.S.A. 12-1771, and amendments thereto, that identifies the project area that is set forth in the project plan that is being considered;
- (4) a description and map of the location of the facility that is the subject of the special bond project;
- (5) the relocation assistance plan required by K.S.A. 12-1777, and amendments thereto;
- (6) a detailed description of the buildings and facilities proposed to be constructed or improved; and
- (7) any other information the governing body deems necessary to advise the public of the intent of the special bond project plan.

(b) *Resolution requirements.* A copy of the project plan shall be delivered to the board of county commissioners of the county and the board of education of any school district levying taxes on property subject to the special bond project. Upon a finding by the planning commission of the city that the project plan is consistent with the intent of the comprehensive plan for the development of the city, the governing body of the city shall adopt a resolution stating that the city is considering the adoption of the project plan. Such resolution shall:

- (1) Give notice that a public hearing will be held to consider the adoption of the project plan and fix the date, hour and place of such public hearing;
- (2) describe the boundaries of the area subject to the special bond project; and
- (3) state that the project plan, including a summary of the feasibility study, relocation assistance plan and financial guarantees of the prospective developer and a description and map of the area to be developed are available for inspection during regular office hours in the office of the city clerk.

(c) (1) *Hearing.* The date fixed for the public hearing shall be not less than 30 nor more than 70 days following the date of the adoption of the resolution fixing the date of the hearing.

(2) A copy of the resolution providing for the public hearing shall be by certified mail, return receipt requested sent to the board of county commissioners of the county and the board of education of any school district levying taxes on property subject to the special bond project. The resolution shall be published once in the official city newspaper not less than one week nor more than two weeks preceding the date fixed for the public hearing. A description in sufficient detail to advise the reader of the particular proposed special bond project shall be published with the resolution.

(3) At the public hearing, a representative of the city shall present

the city's proposed project plan. Following the presentation of the project plan, all interested persons shall be given an opportunity to be heard. The governing body for good cause shown may recess such hearing to a time and date certain, which shall be fixed in the presence of persons in attendance at the hearing.

(d) The public hearing records and feasibility study shall be subject to the open records act, K.S.A. 45-215, and amendments thereto.

(e) *Posthearing procedure.* Following the public hearing, the governing body may adopt the project plan by ordinance passed upon a $\frac{2}{3}$ vote.

(f) Any substantial changes as defined in K.S.A. 12-1770a, and amendments thereto, to the project plan as adopted shall be subject to a public hearing following publication of notice thereof at least twice in the official city newspaper.

(g) Any project shall be completed within 20 years from the date of the approval of the project plan. Kansas resident employees shall be given priority consideration for employment in construction projects located in a special bond project area.

(h) Any developer of a special bond project shall commence work on such project within two years from the date of adoption of the project plan. Should the developer fail to commence work on the special bond project within the two-year period, funding for such project shall cease and the developer of such project shall have one year to appeal to the secretary for reapproval of such project and the funding for it. Should the project be reapproved, the two-year period for commencement shall apply.

(i) The provisions of this act regarding special bond projects shall expire on and after July 1, 2007.

Sec. 4. K.S.A. 12-1774 is hereby amended to read as follows: 12-1774. (a) (1) Any city shall have the power to issue special obligation bonds in one or more series to finance the undertaking of any redevelopment project in accordance with the provisions of this act. Such special obligation bonds shall be made payable, both as to principal and interest:

(A) From tax increments allocated to, and paid into a special fund of the city under the provisions of K.S.A. 12-1775, and amendments thereto;

(B) from revenues of the city derived from or held in connection with the undertaking and carrying out of any redevelopment project or projects under this act including historic theater sales tax increments and environmental increments;

(C) from any private sources, contributions or other financial assistance from the state or federal government;

(D) from a pledge of a portion or all of the revenue received by the city from transient guest, sales and use taxes collected pursuant to K.S.A. 12-1696 *et seq.*, 79-3601 *et seq.*, 79-3701 *et seq.* and 12-187 *et seq.*, and amendments thereto, and which are collected from taxpayers doing business within that portion of the city's redevelopment district established pursuant to K.S.A. 12-1771, and amendments thereto, occupied by a redevelopment project if there first is a finding by the secretary of commerce and housing that *based upon the feasibility study* the redevelopment project will create a major tourism area for the state or if the project is the restoration of a historic theater as defined in subsection (l) of K.S.A. 12-1770a, and amendments thereto, *or the project has been designated as a special bond project as defined in subsection (z) of K.S.A. 12-1770a, and amendments thereto;*

(E) (i) from a pledge of a portion or all increased revenue received by the city from franchise fees collected from utilities and other businesses using public right-of-way within the redevelopment district; (ii) from a pledge of a portion or all of the revenue received by the city from sales taxes collected pursuant to K.S.A. 12-187, and amendments thereto; or

(F) by any combination of these methods *except that for a project which has been designated as a special bond project as defined in subsection (z) of K.S.A. 12-1770a and amendments thereto, 100% of city and county sales taxes collected pursuant to K.S.A. 12-187, and amendments thereto, shall be pledged for such project except for amounts committed to other use by election of voters prior to the effective date of this act.*

The city may pledge such revenue to the repayment of such special

obligation bonds prior to, simultaneously with, or subsequent to the issuance of such special obligation bonds.

(2) Bonds issued under paragraph (1) of subsection (a) shall not be general obligations of the city, nor in any event shall they give rise to a charge against its general credit or taxing powers, or be payable out of any funds or properties other than any of those set forth in paragraph (1) of this subsection and such bonds shall so state on their face.

(3) Bonds issued under the provisions of paragraph (1) of this subsection shall be special obligations of the city and are declared to be negotiable instruments. They shall be executed by the mayor and clerk of the city and sealed with the corporate seal of the city. All details pertaining to the issuance of such special obligation bonds and terms and conditions thereof shall be determined by ordinance of the city. All special obligation bonds issued pursuant to this act and all income or interest therefrom shall be exempt from all state taxes except inheritance taxes. Such special obligation bonds shall contain none of the recitals set forth in K.S.A. 10-112, and amendments thereto. Such special obligation bonds shall, however, contain the following recitals, viz., the authority under which such special obligation bonds are issued, they are in conformity with the provisions, restrictions and limitations thereof, and that such special obligation bonds and the interest thereon are to be paid from the money and revenue received as provided in paragraph (1) of this subsection.

(b) (1) Subject to the provisions of paragraph (2) of this subsection, any city shall have the power to issue full faith and credit tax increment bonds to finance the undertaking of any redevelopment project in accordance with the provisions of K.S.A. 12-1770 *et seq.*, and amendments thereto other than a project that will create a major tourism area or result in the renovation of an historic theater. Such full faith and credit tax increment bonds shall be made payable, both as to principal and interest: (A) From the revenue sources identified in paragraph (1)(A), (B), (C), (D) and (E) of subsection (a) or by any combination of these sources; and (B) subject to the provisions of paragraph (2) of this subsection, from a pledge of the city's full faith and credit to use its ad valorem taxing authority for repayment thereof in the event all other authorized sources of revenue are not sufficient.

(2) Except as provided in paragraph (3) of this subsection, before the governing body of any city proposes to issue full faith and credit tax increment bonds as authorized by this subsection, the feasibility study required by K.S.A. 12-1772, and amendments thereto, shall demonstrate that the benefits derived from the project will exceed the cost and that the income therefrom will be sufficient to pay the costs of the project. No full faith and credit tax increment bonds shall be issued unless the governing body states in the resolution required by K.S.A. 12-1772, and amendments thereto, that it may issue such bonds to finance the proposed redevelopment project. The governing body may issue the bonds unless within 60 days following the date of the public hearing on the proposed project plan a protest petition signed by 3% of the qualified voters of the city is filed with the city clerk in accordance with the provisions of K.S.A. 25-3601 *et seq.*, and amendments thereto. If a sufficient petition is filed, no full faith and credit tax increment bonds shall be issued until the issuance of the bonds is approved by a majority of the voters voting at an election thereon. Such election shall be called and held in the manner provided by the general bond law. The failure of the voters to approve the issuance of full faith and credit tax increment bonds shall not prevent the city from issuing special obligation bonds in accordance with K.S.A. 12-1774, and amendments thereto. No such election shall be held in the event the board of county commissioners or the board of education determines, as provided in K.S.A. 12-1771, and amendments thereto, that the proposed redevelopment district will have an adverse effect on the county or school district.

(3) As an alternative to paragraph (2) of this subsection, any city which adopts a project plan but does not state its intent to issue full faith and credit tax increment bonds in the resolution required by K.S.A. 12-1772, and amendments thereto, and has not acquired property in the redevelopment project area may issue full faith and credit tax increment bonds if the governing body of the city adopts a resolution stating its intent to issue the bonds and the issuance of the bonds is approved by a majority

of the voters voting at an election thereon. Such election shall be called and held in the manner provided by the general bond law. The failure of the voters to approve the issuance of full faith and credit tax increment bonds shall not prevent the city from issuing special obligation bonds pursuant to paragraph (1) of subsection (a). Any project plan adopted by a city prior to the effective date of this act in accordance with K.S.A. 12-1772, and amendments thereto, shall not be invalidated by any requirements of this act.

(4) During the progress of any redevelopment project in which the redevelopment project costs will be financed, in whole or in part, with the proceeds of full faith and credit tax increment bonds, the city may issue temporary notes in the manner provided in K.S.A. 10-123, and amendments thereto, to pay the redevelopment project costs for the project. Such temporary notes shall not be issued and the city shall not acquire property in the redevelopment project area until the requirements of paragraph (2) or (3) of this subsection, whichever is applicable, have been met.

(5) Full faith and credit tax increment bonds issued under this subsection shall be general obligations of the city and are declared to be negotiable instruments. They shall be issued in accordance with the general bond law. All such bonds and all income or interest therefrom shall be exempt from all state taxes except inheritance taxes. The amount of the full faith and credit tax increment bonds issued and outstanding which exceeds 3% of the assessed valuation of the city shall be within the bonded debt limit applicable to such city.

(6) Any city issuing special obligation bonds under the provisions of this act may refund all or part of such issue pursuant to the provisions of K.S.A. 10-116a, and amendments thereto.

(c) Any increment in ad valorem property taxes resulting from a redevelopment project in the established redevelopment district undertaken in accordance with the provisions of this act, shall be apportioned to a special fund for the payment of the redevelopment project costs, including the payment of principal and interest on any special obligation bonds or full faith and credit tax increment bonds issued to finance such project pursuant to this act and may be pledged to the payment of principal and interest on such bonds.

Sec. 5. K.S.A. 2002 Supp. 79-3620 is hereby amended to read as follows: 79-3620. (a) All revenue collected or received by the director of taxation from the taxes imposed by this act shall be remitted to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury, less amounts withheld as provided in subsection (b) and amounts credited as provided in subsection (c) and (d), to the credit of the state general fund.

(b) A refund fund, designated as “sales tax refund fund” not to exceed \$100,000 shall be set apart and maintained by the director from sales tax collections and estimated tax collections and held by the state treasurer for prompt payment of all sales tax refunds including refunds authorized under the provisions of K.S.A. 79-3635, and amendments thereto. Such fund shall be in such amount, within the limit set by this section, as the director shall determine is necessary to meet current refunding requirements under this act. In the event such fund as established by this section is, at any time, insufficient to provide for the payment of refunds due claimants thereof, the director shall certify the amount of additional funds required to the director of accounts and reports who shall promptly transfer the required amount from the state general fund to the sales tax refund fund, and notify the state treasurer, who shall make proper entry in the records.

(c) (1) The state treasurer shall credit $\frac{5}{98}$ of the revenue collected or received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 4.9%, and deposited as provided in subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

(2) The state treasurer shall credit $\frac{5}{104}$ of the revenue collected or received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.2%, and deposited as provided in subsection (a),

exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

(3) The state treasurer shall credit $\frac{5}{106}$ of the revenue collected or received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.3%, and deposited as provided in subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

(4) The state treasurer shall credit $\frac{1}{20}$ of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

(d) The state treasurer shall credit all revenue collected or received from the tax imposed by K.S.A. 79-3603, and amendments thereto, as certified by the director, from taxpayers doing business within that portion of a redevelopment district occupied by a redevelopment project *or taxpayers doing business with such entity financed by a special bond project as defined in K.S.A. 12-1770a, and amendments thereto*, that was determined by the secretary of commerce and housing to be of statewide as well as local importance or will create a major tourism area for the state *or the project was designated as a special bond project as defined in K.S.A. 12-1770a, and amendments thereto*, to the city bond finance fund, which fund is hereby created. The provisions of this subsection shall expire when the total of all amounts credited hereunder and under subsection (d) of K.S.A. 79-3710, and amendments thereto, is sufficient to retire the special obligation bonds issued for the purpose of financing all or a portion of the costs of such redevelopment *or special bond project*.

New Sec. 6. Notwithstanding any other provisions of law to the contrary, copies of all retailers' sales, use and transient guest tax returns filed with the director of the department of revenue in connection with a redevelopment project area or special bond project for which sales, use and transient guest tax revenues are pledged or otherwise intended to be used in whole or in part for the payment of bonds issued to finance redevelopment or special bond project costs in such redevelopment or special bond project area, shall be provided by the director of the department of revenue to the bond trustee, escrow agent or paying agent for such bonds upon the written request of the municipality within 15 days of receipt by the director of the department of revenue. The bond trustee, escrow agent or paying agent shall keep such retailers' sales, use and transient guest tax returns and the information contained therein confidential, but may use such information for purposes of allocating and depositing such sales, use and transient guest tax revenues in connection with the bonds used to finance redevelopment or special bond project costs in such redevelopment or special bond project area. Except as otherwise provided herein, the sales, use and transient guest tax returns received by the bond trustee, escrow agent or paying agent shall be subject to the provisions of K.S.A. 79-3614, and amendments thereto.

Sec. 7. K.S.A. 74-8017 is hereby amended to read as follows: 74-8017. On and after January 1, 2003, it shall be the duty of Kansas, Inc. to prepare an annual report evaluating the cost effectiveness of the various income tax credits and sales tax exemptions enacted to encourage economic development within this state and submit the same to the standing committees on taxation and economic development of the house and assessment and taxation and commerce of the senate at the beginning of each regular session of the legislature. The secretary of revenue, in consultation with the president of Kansas, Inc., shall develop a questionnaire on the utilization of state income tax credits and sales tax exemptions that shall be completed by all corporate taxpayers subject to state income tax that shall be submitted to the department of revenue concurrently with the filing of an annual corporate income tax return. The secretary shall provide the completed questionnaires to Kansas, Inc. for use in the preparation of such annual report. The questionnaire shall require respondents to indicate utilization of the following credits and exemptions:

(a) Income tax credits authorized under the provisions of the job expansion and investment credit act of 1976 and acts amendatory thereof and supplemental thereto;

(b) income tax credits for expenditures in research and development activities authorized by K.S.A. 79-32,182, and amendments thereto;

(c) income and financial institutions privilege tax credits for cash investment in stock of Kansas Venture Capital, Inc. authorized by K.S.A. 74-8205 and 74-8206, and amendments thereto;

(d) income tax credits for cash investment in certified Kansas venture capital companies authorized by K.S.A. 74-8304, and amendments thereto;

(e) income tax credits for cash investment in certified local seed capital pools authorized by K.S.A. 74-8401, and amendments thereto;

(f) income tax credits for investment in the training and education of qualified firms' employees authorized by K.S.A. 74-50,132, and amendments thereto;

(g) sales tax exemptions for property or services purchased for the purpose of and in conjunction with constructing, reconstructing, enlarging or remodeling a business, or retail business meeting the requirements of K.S.A. 74-50,115, and amendments thereto, and machinery and equipment for installation at such business or retail business authorized by subsection (cc) of K.S.A. 79-3606, and amendments thereto; ~~and~~

(h) sales tax exemptions for machinery and equipment used directly and primarily for the purposes of manufacturing, assembling, processing, finishing, storing, warehousing or distributing articles of tangible personal property in this state intended for resale by a manufacturing or processing plant or facility or a storage, warehousing or distribution facility. The secretary of revenue shall provide the completed questionnaires and copies of sales tax exemption certificates to Kansas, Inc. for the preparation of such report; *and*

(i) *special obligation bonds authorized by K.S.A. 12-1774, and amendments thereto.*

Sec. 8. K.S.A. 2002 Supp. 79-3710 is hereby amended to read as follows: 79-3710. (a) All revenue collected or received by the director under the provisions of this act shall be remitted to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury, less amounts set apart as provided in subsection (b) and amounts credited as provided in subsection (c) and (d), to the credit of the state general fund.

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

(c) (1) The state treasurer shall credit $\frac{5}{98}$ of the revenue collected or received from the tax imposed by K.S.A. 79-3703, and amendments thereto, at the rate of 4.9%, and deposited as provided in subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

(2) The state treasurer shall credit $\frac{5}{104}$ of the revenue collected or received from the tax imposed by K.S.A. 79-3703, and amendments thereto, at the rate of 5.2%, and deposited as provided in subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

(3) The state treasurer shall credit $\frac{5}{106}$ of the revenue collected or received from the tax imposed by K.S.A. 79-3703, and amendments thereto, at the rate of 5.3%, and deposited as provided in subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

(4) The state treasurer shall credit $\frac{1}{20}$ of the revenue collected or received from the tax imposed by K.S.A. 79-3703, and amendments thereto, at the rate of 5%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

(d) The state treasurer shall credit all revenue collected or received from the tax imposed by K.S.A. 79-3703, and amendments thereto, as certified by the director, from taxpayers doing business within that por-

tion of a redevelopment district occupied by a redevelopment project that was determined by the secretary of commerce and housing to be of state-wide as well as local importance or will create a major tourism area for the state as defined in K.S.A. 12-1770a, and amendments thereto, to the city bond finance fund created by subsection (d) of K.S.A. 79-3620, and amendments thereto. The provisions of this subsection shall expire when the total of all amounts credited hereunder and under subsection (d) of K.S.A. 79-3620, and amendments thereto, is sufficient to retire the special obligation bonds issued for the purpose of financing all or a portion of the costs of such redevelopment project.

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

Sec. 9. K.S.A. 12-1770a, 12-1774 and 74-8017 and K.S.A. 2002 Supp. 79-3620 and 79-3710 are hereby repealed.

Sec. 10. This act shall take effect and be in force from and after its publication in the Kansas register.

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

HOUSE adopted
Conference Committee Report _____

Speaker of the House.

Chief Clerk of the House.

Passed the SENATE
as amended _____

SENATE adopted
Conference Committee Report _____

President of the Senate.

Secretary of the Senate.

APPROVED _____

Governor.