

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATIONThe meeting was called to order by Representative Jim Braden at
Chairperson9:00 a.m./~~XXX~~ on March 26, 1984 in room 519S of the Capitol.All members were present ~~except~~.

Committee staff present:

Tom Severn, Legislative Research Department
Wayne Morris, Legislative Research Department
Don Hayward, Revisor of Statutes' Office
Nancy Wolff, Secretary to the Committee

Conferees appearing before the committee:

Senator Dan Thiessen
Marian Warriner, League of Women Voters
Georgianna Meyer, Department of Revenue
Ron Gaches, Kansas Chamber of Commerce and Industry
Tom Kennedy, A.B.C.

Hearings were held on Senate Bill 670 which would index the benefits under the Homestead Property Tax Refund Act to the cost-of-living adjustments in federal Social Security benefits.

Senator Dan Thiessen, sponsor of Senate Bill 670, testified in support of the legislation.

Marian Warriner, Kansas League of Women Voters, testified in support of Senate Bill 670. She stated that her organization feels that it will protect low income property owners from decreased benefits from Homestead Property Tax Relief rather than being elevated out of the top of the program as their Social Security benefits rise. (Exhibit I)

Georgianna Meyer, Department of Revenue, testified that the budget for fiscal year '85 is \$7.1 million for Homestead Property Relief. She stated that passage of Senate Bill 670 would increase that figure, but there is no way to estimate how much it would be increased.

This concluded hearings on Senate Bill 670. The Chairman then called for hearings on House Bill 3108. House Bill 3108 would revise the date for licensing of bonded warehouses to make such licenses run according to a calendar year as opposed to running from July 1 to June 30.

Ron Gaches, Kansas Chamber of Commerce and Industry, testified in support of House Bill 3108.

Representative Rolfs made a motion that House Bill 3108 be reported favorable for passage and placed on the consent calendar. Representative Lowther seconded the motion. The motion carried.

The Chairman then called for hearings on House Bill 3110 which would amend the liquor enforcement tax to remove a duplication in the law.

Tom Kennedy, Director of the ABC Division of the Revenue Department, testified in support of House Bill 3110. (Exhibit II)

Representative Ott made a motion that House Bill 3110 be reported favorable for passage and placed on the consent calendar. Representative Erne seconded the motion. The motion carried.

The Chairman called for discussion on Senate Bill 624 which would amend the Kansas Income Tax Act to exclude from Kansas adjusted gross income (AGI) any amounts received as social security or tier 1 Railroad Retirement benefits which are included in federal AGI.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION,
room 519S, Statehouse, at 9:00 a.m./~~p.m.~~^{XX} on March 26, 1984

Representative Lowther made a motion that Senate Bill 624 be reported favorably and Representative Spaniol seconded the motion. The motion failed. Representative Aylward voted "Yes".

The Chairman called for discussion on Senate Bill 589 which would amend the farm machinery exemption statute to include with the definition of "farming or ranching activity" the performance of custom grain cutting for hire. The bill would also exempt farm machinery which is leased pursuant to a lease/purchase agreement, rather than owned by, the farm or ranch operator.

Representative Rolfs made a conceptual amendment that any tax-exempt entity that leases property pursuant to a lease/purchase agreement would be exempt from property taxes for that property; i.e., churches, school districts, hospitals, etc. Representative Ott seconded the motion.

Representative Spaniol made a substitute motion that Senate Bill 589 be tabled and Representative Jarchow seconded the motion. The motion passed, 11-10.

The committee then discussed Sub. for SB 631 which would amend the tax increment financing law to authorize a second category of bonds which may be issued under the act--full faith and credit tax increment bonds. Under current law, only special obligation bonds may be issued and the full faith and credit of the city may not be pledged as backing for the bonds.

Representative Spaniol made a motion that Sub. for SB 631 be tabled. Representative Roe seconded the motion.

Representative Rolfs made a substitute motion that Substitute for Senate Bill 631 be amended by the contents of the attached balloon draft (Exhibit III). Representative Wagnon seconded the motion.

Representative Roe requested that the question be divided so that the committee could vote on the language at the bottom of page 8, after line 299, in the draft amendment separately from the balance of the amendments contained in the draft.

The Chair ruled that the question could be divided.

Representative Frey requested that the question be further divided to allow the committee to vote on the amendment on page 1 of the bill draft separately from the balance of the amendments in the draft.

The Chair ruled that the language on page 1 could also be divided.

The Chair called for the vote on all amendments in the draft with the exception of the language on Page 1 of the draft and the language at the bottom on Page 8, after line 299, of the draft. The motion carried.

The Chair then called for a vote on the amendment on page 1 of the draft. The motion failed 9-11.

The Chairman then called for a vote on the amendment language at the bottom of page 8, after line 299, in the draft. The motion carried.

Representative Ott made a conceptual motion that the language in Section 3 of Sub. for Senate Bill 631 be amended to make an election of the voters mandatory rather than permissive. Representative Spaniol seconded the motion.

Representative Spaniol made a substitute motion that Sub. for Senate Bill 631 be tabled. Representative Roe seconded the motion. The motion failed.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION,
room 519S, Statehouse, at 9:00 a.m. ~~xxx~~ on March 26, 1984

The Chairman called for the vote on the original motion that the language in Section 3 of Sub. for Senate Bill 631 be amended to make an election mandatory rather than permissive. The motion carried.

Representative Leach made a motion that the language in Section 2 of Sub. for Senate Bill 631 be made mandatory for an election rather than permissive. Representative Spaniol seconded the motion.

Representative Wagnon made a substitute motion that Sub. for Senate Bill 631 be reported favorably as amended and Representative Lowther seconded the motion. The motion failed.

The Chairman then called for the vote on the original motion to amend Section 2 of Sub. for Senate Bill 631 so that an election would be mandatory rather than permissive. The motion carried.

Representative Spaniol made a motion that Sub. for Senate Bill 631 be reported favorable as amended and Representative Rolfs seconded the motion. The motion carried.

The Chairman called for discussion on House Bill 2211 which would amend the statutes to remove the sales tax exemption for the sale of services in new construction.

Representative Rolfs made a motion that House Bill 2211 be reported favorable for passage and Representative Lowther seconded the motion.

Representative King made a motion that House Bill 2211 be amended to give mobile homes the same type of sales tax breaks as are currently allowed for other types of homes. This would impose a tax on 50% of the sales price of new mobile homes and would also exempt used mobile homes from sales tax. Representative Lowther seconded the motion.

Representative Leach requested that the question be divided and the Chair ruled that the request was in order.

The Chairman first called for the vote on the portion of the motion that would exempt 50% of the sales price of a new mobile home from sales tax. The motion failed.

The Chairman then called for the vote on that portion of the motion that would totally exempt used mobile homes from sales tax. The motion carried. Representative Erne voted "no".

Representative Rolfs made a motion that House Bill 2211 be reported favorable for passage as amended and Representative Lowther seconded the motion. The motion carried.

The meeting was adjourned.

DATE: 3-26-84

GUEST REGISTER

HOUSE

ASSESSMENT & TAXATION
COMMITTEE

NAME	ORGANIZATION	ADDRESS
Dyn Thiessen	Senator	
Janice Marcum	Dept of Revenue	Topeka
Edith K Copenhagen	Topeka Area Retired Teachers Association	Topeka
Lloyd M Copenhagen	Topeka Area Retired Teachers Association	Topeka
Ralph T. Newman	Topeka Area Retired Teachers Ass'n	Topeka
Marian Harrison	AWVK	Lawrence
Nancy Kantola	Kansas Co-op Council	Topeka
Tan Morgan	AGC of KS	Topeka
Margi Braden	LMHI	Topeka
ML Jenkins	Speaker's office	"
NG Zogelman	"	"
Joyce Hammond	Intern, Joan Wagner	Lawrence
Ruth Wilkin	AAUP - BS	Topeka
Paul E. Fleener	Kansas Farm Bureau	Manhattan
Theresa Shugel	Intern	Topeka
Bruce Cochran	Intern	Topeka
Chris McKenzie	League of Ks. Municipalities	Topeka
Harold Pitts	TARPA	"
Glenn Bennett	KRTA	Topeka
Basil Covey	KRTA	Topeka
TOM KENNEDY	ABC	TOPEKA
John O. Miller		TOPEKA
J. Jack Bessie	KRTA	Topeka
Jim Mason	KAR	Topeka KS

Wayne reports he does not have this; however, he called + asked that Maxian call him. Will follow up if arrives.

Rec'd: 3/26/84 minutes

5/30/84

Exh. I (Maxian Harrison testimony)
not attached

Called Wayne to get Ex. I

MEMORANDUM

TO: Honorable James D. Braden
Chairman, House Assessment and Taxation Committee

FROM: THOMAS J. KENNEDY, Director, ABC Division

RE: House Bill 3110

DATE: March 26, 1984

PURPOSE

House Bill 3110, if enacted in its present form, amends K.S.A. 1983 Supp. 79-4101 to provide that an enforcement tax of 8% will be collected on all retail sales to consumers by farm wineries.

PERSPECTIVE

The 1983 Legislature passed Substitute for House Bill 2551, the farm winery bill. This bill, which went into effect July 1, 1983, created a new class of alcoholic liquor license for domestic Kansas farm wineries.

A licensed farm winery can manufacture wine and then sell that wine either to other distributors or directly to the public through its own retail outlet. Thus, a farm winery is similar to any other manufacturer of alcoholic liquor and similar to any other retail seller of alcoholic liquor.

However, the farm winery bill amended K.S.A. 41-102 (the definition section for the Liquor Control Act) to exclude farm wineries from the definitions of "manufacturer" and "retailer". As a result, current statutes that apply to other licensed alcoholic liquor retailers do not apply to farm wineries. For that reason, K.S.A. 79-4101 is being amended by this bill to require the collection of the 8% enforcement tax on retail sales by farm wineries to consumers, the same as retail liquor store licensees are required to do.

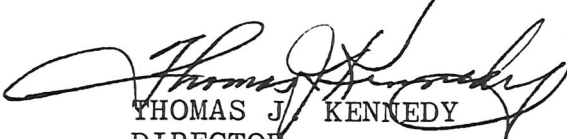
COMMENTS AND/OR RECOMMENDATIONS

Currently, there are no licensed farm wineries in Kansas. For that reason, it is impossible to estimate what income will result from House Bill 3110. However, if and when we do have a farm winery and they do sell direct to consumers, the machinery is in place for the collection of an enforcement tax. While we are cognizant that the farm winery is an agricultural enterprise,

we feel very strongly that as a seller of alcoholic liquor which domestic wine is, licensed farm wineries should be treated the same as other alcoholic liquor businesses in Kansas.

Recommend approval of House Bill 3110.

Respectfully submitted,



THOMAS J. KENNEDY
DIRECTOR

TJK:cjk

Substitute for SENATE BILL No. 631

By Committee on Local Government

2-24

0016 AN ACT concerning the development and redevelopment of
0017 central business district areas in cities; amending K.S.A. 12-
0018 1770, 12-1771, 12-1772, 12-1773, 12-1774, 12-1775 and 12-
0019 1778 and repealing the existing sections.

0020 *Be it enacted by the Legislature of the State of Kansas:*

0021 Section 1. K.S.A. 12-1770 is hereby amended to read as fol-
0022 lows: 12-1770. It is hereby declared to be the purpose of this act
0023 to promote, stimulate and develop the general and economic
0024 welfare of the state of Kansas and its communities and to assist in
0025 the development and redevelopment of central business district
0026 areas of cities and enterprise zones located within cities, thus
0027 promoting the general welfare of the citizens of this state, by
0028 authorizing cities to acquire certain property and to issue special
0029 obligation bonds *and full faith and credit tax increment bonds*
0030 for the financing of redevelopment projects. It is further found
0031 and declared that the powers conferred by this act are for public
0032 uses and purposes for which public money may be expended and
0033 the power of eminent domain exercised; and that. The necessity
0034 in the public interest for the provisions ~~herein enacted~~ *of this act*
0035 is hereby declared as a matter of legislative determination.

0036 Sec. 2. K.S.A. 12-1771 is hereby amended to read as follows:
0037 12-1771. (a) No city shall exercise any of the powers conferred by
0038 K.S.A. 12-1770 *et seq., and amendments thereto*, unless the
0039 governing body of such city has adopted a resolution finding
0040 that: (1) ~~The [specific project] area sought to be redeveloped is a~~
0041 blighted area; or (2) has been designated as an enterprise zone
0042 pursuant to K.S.A. 12-17,110, *and amendments thereto*; and (3)
0043 the conservation, development or redevelopment of such area is
0044 necessary to promote the general and economic welfare of such

[the redevelopment project area

0045 city. For the purpose of this subsection, the term "blighted area"
0046 means an area which, because of the presence of a majority of the
0047 following factors, substantially impairs or arrests the sound de-
0048 velopment and growth of the municipality or constitutes an
0049 economic or social liability or is a menace to the public health,
0050 safety, morals or welfare in its present condition and use: (A) A
0051 substantial number of deteriorated or deteriorating structures;
0052 (B) predominance of defective or inadequate street layout; (C)
0053 unsanitary or unsafe conditions; (D) deterioration of site im-
0054 provements; (E) diversity of ownership; (F) tax or special as-
0055 sessment delinquency exceeding the fair value of the land; (G)
0056 defective or unusual conditions of title; (H) improper subdivi-
0057 sion or obsolete platting or land uses; (I) the existence of condi-
0058 tions which endanger life or property by fire and other causes; or
0059 (J) conditions which create economic obsolescence.

0060 (b) The powers conferred upon cities under the provisions of
0061 K.S.A. 12-1770 *et seq.*, and *amendments thereto*, shall be exer-
0062 cised in central business district areas of cities, as determined by
0063 resolution adopted pursuant to K.S.A. 12-1772, and *amendments*
0064 *thereto*, or in enterprise zones designated pursuant to K.S.A.
0065 12-17,110, and *amendments thereto*.

0066 (c) No privately owned property subject to ad valorem taxes
0067 shall be acquired and redeveloped under the provisions of K.S.A.
0068 12-1770 *et seq.*, and *amendments thereto*, if the board of county
0069 commissioners or the board of education levying taxes on such
0070 property determines by resolution adopted within 30 days fol-
0071 lowing the hearing provided for in K.S.A. 12-1772, and *amend-*
0072 *ments thereto*, that the proposed project will have an adverse
0073 effect on such county or school district.

0074 (d) Any redevelopment plan undertaken in accordance with
0075 the provisions of K.S.A. 12-1770 *et seq.*, and *amendments*
0076 *thereto*, shall fix a date on which the development shall: (1)
0077 Commence, which date shall be not more than one year from the
0078 date that any property is acquired by the city following adoption
0079 of the plan; and (2) be completed, which date shall be not more
0080 than five years from the date the plan was adopted.

0081 (e) Any increment in ad valorem property taxes resulting

0082 from a redevelopment project undertaken in accordance with the
0083 provisions of this act, apportioned to a special fund for the
0084 payment of special obligation bonds or *full faith and credit tax*
0085 *increment bonds* issued to finance such project pursuant to
0086 K.S.A. 12-1775, and *amendments thereto*, may be pledged to
0087 such fund for not to exceed 20 years. For the purposes of this act,
0088 "increment" means that amount of ad valorem taxes collected
0089 from real property located within the redevelopment project area
0090 which is attributable to its increase in assessed valuation result-
0091 ing from a redevelopment project and which is in excess of that
0092 amount which is produced from such property and attributable to
0093 the assessed valuation of such property prior to any increase in
0094 assessed valuation resulting from a redevelopment project and as
0095 of the date the redevelopment plan was adopted, as provided in
0096 subsection (c)(2) of K.S.A. 12-1775, and *amendments thereto*.

0097 (f) Before any redevelopment project is undertaken, a com-
0098 prehensive feasibility study, which shows the benefits derived
0099 from such project will exceed the costs and that the income
0100 therefrom will be sufficient to pay for the project shall be
0101 prepared.

0102 Sec. 3. K.S.A. 12-1772 is hereby amended to read as follows:
0103 12-1772. (a) Any city proposing to undertake a redevelopment
0104 project in accordance with the provisions of this act shall first
0105 prepare a redevelopment plan in consultation with the planning
0106 commission of the city. The redevelopment plan shall include:
0107 (1) A summary of the feasibility study required by K.S.A. 12-
0108 1771, and amendments thereto;; (2) a description and map of the
0109 area to be redeveloped;; (3) the relocation assistance plan re-
0110 quired by K.S.A. 12-1777, and amendments thereto;; (4) a de-
0111 scription of the buildings and facilities proposed to be con-
0112 structed or improved in such area; and (5) *any* other information
0113 the governing body deems necessary to advise the public of the
0114 intent of the plan. A copy of the redevelopment plan shall be
0115 delivered to the board of county commissioners of the county
0116 and the board of education of any school district levying taxes on
0117 property within the proposed redevelopment project area. Upon
0118 a finding by the planning commission that the redevelopment

0119 plan is consistent with the comprehensive general plan for the
0120 development of the city, the governing body of the city shall
0121 adopt a resolution stating that the city is considering the adop-
0122 tion of the plan. Such resolution shall:

0123 (1) Give notice that a public hearing will be held to consider
0124 the adoption of the redevelopment plan and fix the date, hour
0125 and place of such public hearing;

0126 (2) describe the boundaries of the central business district of
0127 the city or the boundaries of the enterprise zone to be estab-
0128 lished;

0129 (3) describe the boundaries of the area proposed to be in-
0130 cluded within the redevelopment project area; and

0131 (4) state that the redevelopment plan, including a summary
0132 of the feasibility study, relocation assistance plan and financial
0133 guarantees of the prospective developer and a description and
0134 map of the area to be redeveloped are available for inspection
0135 during regular office hours in the office of the city clerk.

0136 *If the governing body determines that it may issue full faith*
0137 *and credit tax increment bonds to finance the redevelopment*
0138 *project, in whole or in part, the resolution also shall include*
0139 *notice thereof.*

0140 (b) The date fixed for the public hearing shall be not less than
0141 30 or more than 70 days following the date of the adoption of the
0142 resolution fixing the date of the hearing.

0143 (c) A copy of the resolution providing for the public hearing
0144 shall be delivered to the board of county commissioners of the
0145 county and the board of education of any school district levying
0146 taxes on property within the proposed redevelopment project
0147 area. Copies shall also shall be mailed by certified mail to each
0148 owner and occupant of land within the proposed redevelopment
0149 project area not more than 10 days following the date of the
0150 adoption of the resolution. The resolution shall be published
0151 once in the official city newspaper not less than one week or
0152 more than two weeks preceding the date fixed for the public
0153 hearing. A sketch clearly delineating the area in sufficient detail
0154 to advise the reader of the particular land proposed to be in-
0155 cluded within the project area shall be published with the

[Except as provided in (b)(3) of section 5,

0156 resolution.

0157 (d) At the public hearing, a representative of the city shall
0158 present the city's proposed redevelopment plan. Following the
0159 presentation of the plan, all interested persons shall be given an
0160 opportunity to be heard. The governing body for good cause
0161 shown may recess such hearing to a time and date certain, which
0162 shall be fixed in the presence of persons in attendance at the
0163 hearing.

0164 (e) Following the public hearing, the governing body may
0165 adopt the redevelopment plan by ordinance passed upon a $\frac{2}{3}$
0166 vote. Any substantial changes to the plan as adopted shall be
0167 subject to public hearing following publication of notice thereof
0168 at least twice in the official city newspaper.

0169 Sec. 4. K.S.A. 12-1773 is hereby amended to read as follows:

0170 12-1773. (a) Any city which has adopted a redevelopment plan in
0171 accordance with the provisions of this act may purchase or
0172 otherwise acquire real property. Upon a $\frac{2}{3}$ vote of the members
0173 of the governing body thereof a city may acquire by condemna-
0174 tion any interest in real property, including a fee simple title
0175 thereto, which it ~~may deem~~ *deems* necessary for or in connection
0176 with any redevelopment plan of an area located within the
0177 central business district. Any such city may exercise the power of
0178 eminent domain in the manner provided in ~~article 5 of chapter 26~~
0179 ~~of Kansas Statutes Annotated and acts amendatory thereof or~~
0180 ~~supplemental thereto, but, by K.S.A. 26-501 et seq., and amend-~~
0181 ~~ments thereto.~~ In addition to any compensation or damages
0182 ~~allowable~~ *allowed* under the eminent domain procedure act,
0183 such city shall also provide for the payment of relocation assist-
0184 ance as provided in K.S.A. 12-1777, and amendments thereto.

0185 (b) Any property acquired by a city under the provisions of
0186 this act may be sold or leased to any person, firm or corporation,
0187 hereinafter referred to as a developer, in accordance with the
0188 redevelopment plan and under such other conditions as may be
0189 agreed upon. Such city shall use the proceeds of special obliga-
0190 tion bonds issued under K.S.A. 12-1774, and amendments
0191 thereto, *or full faith and credit tax increment bonds issued*
0192 *under section 7 [5]* to acquire real property within the project

0193 area including the payment of relocation assistance, to prepare
 0194 the site for redevelopment, to finance any necessary related
 0195 streets and municipal utilities, and to pay all necessary related
 0196 expenses to redevelop and finance the redevelopment project.
 0197 None of the proceeds from the sale of such special obligation
 0198 bonds shall be used for the construction of buildings or other
 0199 improvements to be owned by such developer.

0200 Sec. 5. K.S.A. 12-1774 is hereby amended to read as follows:

0201 12-1774. (a) (1) Any city shall have the power to issue special
 0202 obligation bonds to finance the undertaking of any redevelop-
 0203 ment project in accordance with the provisions of this act. Such
 0204 special obligation bonds shall be made payable, both as to
 0205 principal and interest: ~~(1)~~ (A) From property tax increments
 0206 allocated to, and paid into a special fund of the city under the
 0207 provisions of K.S.A. 12-1775, and amendments thereto;

0208 ~~(2)~~ (B) from revenues of the city derived from or held in
 0209 connection with the undertaking and carrying out of any rede-
 0210 velopment project or projects under this act;

0211 ~~(3)~~ (C) from any private sources, contributions or other fi-
 0212 nancial assistance from the state or federal government; or [or

0213 ~~(4)~~ ~~(D) from other funds or revenues of the city; or~~ [(D)
 0214 ~~(E)~~ by any combination of these methods.

0215 ~~(b)~~ (2) Bonds issued under this section paragraph (1) of
 0216 subsection (a) shall not be general obligations of the city, nor in
 0217 any event shall they give rise to a charge against its general
 0218 credit or taxing powers, or be payable out of any funds or
 0219 properties other than any of those set forth in paragraph (1) of
 0220 subsection (a) of this section; and special obligation and such
 0221 bonds issued under this section shall so state on their face.

0222 ~~(c)~~ (3) Bonds issued under the provisions of this act para-
 0223 graph (1) of subsection (a) shall be special obligations of the city
 0224 and are declared to be negotiable instruments. They shall be
 0225 executed by the mayor and clerk of the city and sealed with the
 0226 corporate seal of the city. All details pertaining to the issuance of
 0227 such special obligation bonds and terms and conditions thereof
 0228 shall be determined by ordinance of the city. All special obliga-
 0229 tion bonds issued pursuant to this act and all income or interest

0230 therefrom shall be exempt from all state taxes except inheritance
0231 taxes. Such special obligation bonds shall contain none of the
0232 recitals set forth in K.S.A. 10-112, *and amendments thereto*. Such
0233 special obligation bonds shall, however, contain the following
0234 recitals, viz., the authority under which such special obligation
0235 bonds are issued, they are in conformity with the provisions,
0236 restrictions and limitations thereof, and that such special obliga-
0237 tion bonds and the interest thereon are to be paid from the
0238 money and revenue received as provided in *paragraph (1) of*
0239 *subsection (a) of this section.*

0240 *(b) (1) Subject to the provisions of paragraph (2) of this*
0241 *subsection, any city shall have the power to issue full faith and*
0242 *credit tax increment bonds to finance the undertaking of any*
0243 *redevelopment project in accordance with the provisions of*
0244 *K.S.A. 12-1770 et seq., and amendments thereto. Such full faith*
0245 *and credit tax increment bonds shall be made payable, both as*
0246 *to principal and interest: (A) From the revenue sources iden-*
0247 *tified in paragraph (1) of subsection (a); and (B) subject to the*
0248 *provisions of paragraph (2) of this subsection, from a pledge of*
0249 *the city's full faith and credit to use its ad valorem taxing*
0250 *authority for repayment thereof in the event all other autho-*
0251 *rized sources of revenue are not sufficient.*

0252 *(2) Except as provided in paragraph (3) of this subsection,*
0253 *before the governing body of any city proposes to issue full faith*
0254 *and credit tax increment bonds as authorized by this subsection,*
0255 *the feasibility study required by K.S.A. 12-1771, and amend-*
0256 *ments thereto, shall demonstrate that the benefits derived from*
0257 *the project will exceed the cost and that the income therefrom*
0258 *will be sufficient to pay the costs of the project. No full faith and*
0259 *credit tax increment bonds may be issued unless the governing*
0260 *body states in the resolution required by K.S.A. 12-1772, and*
0261 *amendments thereto, that it may issue such bonds to finance the*
0262 *proposed redevelopment project. The governing body may issue*
0263 *the bonds unless within 60 days following the date of the public*
0264 *hearing on the proposed redevelopment plan a protest petition*
0265 *signed by 10% [5%] of the qualified voters of the city is filed*
0266 *with the city clerk in accordance with the provisions of K.S.A.*

0267 25-3601 et seq., and amendments thereto. If a sufficient petition
 0268 is filed, no full faith and credit tax increment bonds shall be
 0269 issued until the issuance of the bonds is approved by a majority
 0270 of the voters voting at an election thereon. Such election shall be
 0271 called and held in the manner provided by the general bond law.
 0272 The failure of the voters to approve the issuance of full faith and
 0273 credit tax increment bonds shall not prevent the city from
 0274 issuing special obligation bonds in accordance with K.S.A. 12-
 0275 1774, and amendments thereto. No such election shall be held in
 0276 the event the board of county commissioners or the board of
 0277 education determines, as provided in K.S.A. 12-1771, and
 0278 amendments thereto, that the proposed project will have an
 0279 adverse effect on the county or school district.

[The governing body may submit the question of issuing full faith and credit tax increment bonds to an election without a petition being filed in the manner provided by the general bond law.]

0280 (3) ~~Any city which at the time of the effective date of this act~~
 0281 ~~has adopted a redevelopment plan in accordance with K.S.A.~~
 0282 ~~12-1772, and amendments thereto, and has not commenced the~~
 0283 ~~acquisition of property in the redevelopment project area may~~
 0284 ~~issue full faith and credit tax increment bonds if the governing~~
 0285 ~~body of the city adopts a resolution stating its intent to issue the~~
 0286 ~~bonds. The resolution shall be published once each week for two~~
 0287 ~~consecutive weeks in the official city newspaper. The governing~~
 0288 ~~body may issue the bonds unless within 30 days following final~~
 0289 ~~publication of the resolution a protest petition signed by 10% of~~
 0290 ~~the qualified voters of the city is filed with the city clerk in~~
 0291 ~~accordance with the provisions of K.S.A. 25-3601, and amend-~~
 0292 ~~ments thereto. If a sufficient petition is filed, no full faith and~~
 0293 ~~credit tax increment bonds may be issued until the issuance of~~
 0294 ~~the bonds is approved by a majority of the voters voting at an~~
 0295 ~~election thereon. Such election shall be called and held in the~~
 0296 ~~manner provided by the general bond law. The failure of the~~
 0297 ~~voters to approve the issuance of full faith and credit tax~~
 0298 ~~increment bonds shall not prevent the city from issuing special~~
 0299 ~~obligation bonds pursuant to paragraph (1) of subsection (a).~~

[As an alternative to paragraph (2) of this subsection, adopts

but does not state its intent to issue full faith and credit tax increment bonds in the resolution required by

[acquired

[60
[5

0300 (4) During the progress of any redevelopment project in
 0301 which the city's costs will be financed, in whole or in part, with
 0302 the proceeds of full faith and credit tax increment bonds, the
 0303 city may issue temporary notes in the manner provided in K.S.A.

[The governing body may submit the question of issuing full faith and credit tax increment bonds to an election without a petition being filed in the manner provided by the general bond law.]

[Any redevelopment 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.]

0304 10-123, and amendments thereto, to pay the city's cost for the
0305 project. Such temporary notes shall not be issued and the city
0306 shall not acquire property in the redevelopment project area
0307 until the requirements of paragraph (2) or (3) of this subsection,
0308 whichever is applicable, have been met.

0309 (5) Full faith and credit tax increment bonds issued under
0310 this subsection shall be general obligations of the city and are
0311 declared to be negotiable instruments. They shall be issued in
0312 accordance with the general bond law. All such bonds and all
0313 income or interest therefrom shall be exempt from all state taxes
0314 except inheritance taxes. The amount of the full faith and credit
0315 tax increment bonds issued and outstanding which exceeds 3%
0316 of the assessed valuation of the city shall be within the bonded
0317 debt limit applicable to such city.

0318. Sec. 6. K.S.A. 12-1775 is hereby amended to read as follows:
0319 12-1775. (a) For the purposes of this act, the term "taxing sub-
0320 division" shall include only the county, the city and the unified
0321 school district, the territory or jurisdiction of which includes the
0322 redevelopment project area. The term "real property taxes"
0323 includes all taxes levied on an ad valorem basis upon land and
0324 improvements thereon.

0325 (b) All tangible taxable property located within a redevelop-
0326 ment project area shall be assessed and taxed for ad valorem tax
0327 purposes pursuant to law in the same manner that such property
0328 would be assessed and taxed if located outside such area, and all
0329 ad valorem taxes levied on such property shall be paid to and
0330 collected by the county treasurer in the same manner as other
0331 taxes are paid and collected. Except as otherwise provided in
0332 this section, the county treasurer shall likewise distribute such
0333 taxes as may be collected in the same manner as if such property
0334 were located outside a redevelopment area. Each redevelop-
0335 ment area established under the provisions of this act shall
0336 constitute a separate taxing unit for the purpose of the computa-
0337 tion and levy of taxes.

0338 (c) Beginning with the first payment of taxes which are
0339 levied following the date of approval of any redevelopment plan
0340 by ordinance pursuant to K.S.A. 12-1772, and amendments

0341 thereto, real property taxes received by the county treasurer
0342 resulting from taxes which are levied subject to the provisions of
0343 this act by and for the benefit of a taxing subdivision, as herein
0344 defined, on property located within such redevelopment area
0345 constituting a separate taxing unit under the provisions of this
0346 section, shall be divided as follows:

0347 (1) From the taxes levied each year subject to the provisions
0348 of this act by or for each of the taxing subdivisions upon property
0349 located within a redevelopment area constituting a separate
0350 taxing unit under the provisions of this act, the county treasurer
0351 *first* shall ~~first~~ allocate and pay to each such taxing subdivision
0352 all of the real property taxes collected which are produced from
0353 that portion of the current assessed valuation of such real prop-
0354 erty located within such separate taxing unit which is equal to
0355 the total assessed value of such real property on the effective
0356 date of such ordinance.

0357 (2) Any real property taxes produced from that portion of the
0358 current assessed valuation of real property within the redevel-
0359 opment project area constituting a separate taxing unit under the
0360 provisions of this section in excess of an amount equal to the total
0361 assessed value of such real property on the effective date of such
0362 ordinance shall be allocated and paid by the county treasurer to
0363 the treasurer of the city and deposited in a special fund of the city
0364 to pay the principal of and interest on any special obligation
0365 bonds *or full faith and credit tax increment bonds* issued by
0366 such city to finance, in whole or in part, such redevelopment
0367 project. When such ~~special~~ obligation bonds and interest thereon
0368 have been paid, all moneys thereafter received from real prop-
0369 erty taxes within such redevelopment project area shall be allo-
0370 cated and paid to the respective taxing subdivisions in the same
0371 manner as are other ad valorem taxes.

0372 (d) In any redevelopment plan or in the proceedings for the
0373 issuing of any special obligation bonds *or full faith and credit*
0374 *tax increment bonds* by the city to finance a redevelopment
0375 project, the property tax increment portion of taxes provided for
0376 in *paragraph (2) of subsection (c)(2) of this section* may be
0377 irrevocably pledged for the payment of the principal of and

0378 interest on such ~~special~~ obligation bonds, subject to the provi-
0379 sions of subsection (e) of K.S.A. 12-1771, and amendments
0380 thereto.

0381 Sec. 7. K.S.A. 12-1778 is hereby amended to read as follows:
0382 12-1778. Notwithstanding any other provision of law, it is hereby
0383 stated that it is an object of all ad valorem taxes levied by or for
0384 the benefit of any city, county or school district of the state on
0385 taxable tangible real property located within any redevelopment
0386 project undertaken pursuant to this act, that such taxes may be
0387 applied and allocated to and when collected paid into a special
0388 fund of a city pursuant to the procedures and limitations of this
0389 act to pay the principal of and interest on special obligation
0390 bonds or *full faith and credit tax increment bonds* issued by
0391 such city to finance, in whole or in part, such redevelopment
0392 project.

0393 Sec. 8. K.S.A. 12-1770, 12-1771, 12-1772, 12-1773, 12-1774,
0394 12-1775 and 12-1778 are hereby repealed.

0395 Sec. 9. This act shall take effect and be in force from and
0396 after its publication in the Kansas register.

Proposed amendment to HB 2211

On page 1, by striking all in lines 21 to 44, inclusive;
 On page 2, by striking all in lines 45 to 81, inclusive;
 On page 3, by striking all in lines 82 to 118, inclusive;
 On page 4, by striking all in lines 119 to 155, inclusive;
 On page 5, by striking all in lines 156 and 157; after line 157, by inserting a new section to read as follows:

"Section 1. K.S.A. 1983 Supp. 79-3606 is hereby amended to read as follows: 79-3606. The following shall be exempt from the tax imposed by this act:

(a) All sales of motor-vehicle fuel or other articles upon which a sales or excise tax has been paid, not subject to refund, under the laws of this state except cigarettes as defined by K.S.A. 79-3301, and amendments thereto, cereal malt beverages and malt products as defined by K.S.A. 79-3817, and amendments thereto, including wort, liquid malt, malt syrup and malt extract and motor vehicles as defined by K.S.A. 1982 1983 Supp. 79-1017;

(b) all sales of tangible personal property or service, including the renting and leasing of tangible personal property, purchased directly by the state of Kansas, a political subdivision thereof, other than a school or educational institution, or purchased by a public or private nonprofit hospital or nonprofit blood bank and used exclusively for state, political subdivision, hospital or nonprofit blood bank purposes, except when such state, political subdivision, or hospital is engaged or proposes to engage in a business specifically taxable under the provisions of this act and such items of tangible personal property or service are used or proposed to be used in such business;

(c) all sales of tangible personal property or services, including the renting and leasing of tangible personal property, purchased directly by a public or private elementary or secondary

school or public or private nonprofit educational institution and used primarily by such school or institution for nonsectarian programs and activities provided or sponsored by such school or institution or in the erection, repair or enlargement of buildings to be used for such purposes. The exemption herein provided shall not apply to erection, construction, repair, enlargement or equipment of buildings used primarily for human habitation;

(d) all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any public or private nonprofit hospital, public or private elementary or secondary school or a public or private nonprofit educational institution, which would be exempt from taxation under the provisions of this act if purchased directly by such hospital, school or educational institution; and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any political subdivision of the state the total cost of which is paid from funds of such political subdivision and which would be exempt from taxation under the provisions of this act if purchased directly by such political subdivision. Nothing in this subsection or in the provisions of K.S.A. 12-3418, and amendments thereto, shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any political subdivision of the state. As used in this subsection, K.S.A. 12-3418, and amendments thereto, and K.S.A. ~~1982~~ 1983 Supp. 79-3640, "funds of a political subdivision" shall mean general tax revenues, the proceeds of any bonds and gifts or grants-in-aid. Gifts shall not mean funds used for the purpose of constructing, equipping, reconstructing, repairing, enlarging,

furnishing or remodeling facilities which are to be leased to the donor. When any political subdivision of the state, public or private nonprofit hospital, public or private elementary or secondary school or public or private nonprofit educational institution shall contract for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to the political subdivision, hospital, school or educational institution concerned a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate be found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials which will not be so incorporated in the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, the political subdivision, hospital, school or educational institution concerned shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under

such a certificate for any purpose other than that for which such a certificate shall be issued without the payment of the sales or compensating tax otherwise imposed upon such materials shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in subsection (g) of K.S.A. 1982-Supp.--79-3615(4) 79-3615, and amendments thereto;

(e) all sales of tangible personal property or services purchased by a contractor for the erection, repair or enlargement of buildings or other projects for the government of the United States, its agencies or instrumentalities, which would be exempt from taxation if purchased directly by the government of the United States, its agencies or instrumentalities. When the government of the United States, its agencies or instrumentalities shall contract for the erection, repair, or enlargement of any building or other project, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificates to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to the government of the United States, its agencies or instrumentalities concerned a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate shall be issued without the payment of the sales or compensating tax otherwise imposed upon such materials shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties

provided for in subsection (g) of K.S.A. 1982--Supp.--79-3615(4)
79-3615, and amendments thereto;

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

(g) sales of aircraft including remanufactured and modified aircraft, sales of aircraft repair, modification and replacement parts and sales of services employed in the remanufacture, modification and repair of aircraft sold to persons using such aircraft and aircraft repair, modification and replacement parts as certified or licensed carriers of persons or property in interstate or foreign commerce under authority of the laws of the United States or any foreign government or sold to any foreign government or agency or instrumentality of such foreign government and all sales of aircraft, aircraft parts, replacement parts and services employed in the remanufacture, modification and repair of aircraft for use outside of the United States;

(h) all rentals of nonsectarian textbooks by public or private elementary or secondary schools;

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

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

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

(l) all isolated or occasional sales of tangible personal

property, services, substances or things, except isolated or occasional sale of motor vehicles specifically taxed under the provisions of subsection (o) of K.S.A. 1982-Supp.--79-3603(e) 79-3603, and amendments thereto;

(m) all sales of tangible personal property which become an ingredient or component part of tangible personal property or services produced, manufactured or compounded for ultimate sale at retail within or without the state of Kansas; and any such producer, manufacturer or compounder may obtain from the director of taxation and furnish to the supplier an exemption certificate number for tangible personal property for use as an ingredient or component part of the property or services produced, manufactured or compounded;

(n) all sales of tangible personal property which is consumed in the production, manufacture, processing, mining, drilling, refining or compounding of tangible personal property, the providing of services or the irrigation of crops for ultimate sale at retail within or without the state of Kansas; and any purchaser of such property may obtain from the director of taxation and furnish to the supplier an exemption certificate number for tangible personal property for consumption in such production, manufacture, processing, mining, drilling, refining, compounding, irrigation and in providing such services;

(o) all sales of animals, fowl and fish, the primary purpose of which is use in agriculture, the production of food for human consumption, the production of animal, dairy, poultry or fish products, fiber or fur, or the production of offspring for use for any such purpose or purposes;

(p) trade fixtures and equipment which is already installed and second-hand when sold by a person ceasing to do business where said fixtures or equipment is installed;

(q) all sales of prescription only drugs, as defined by K.S.A. 65-1626, and amendments thereto, dispensed pursuant to a prescription order, as defined by K.S.A. 65-1626, and amendments thereto, by a licensed practitioner;

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

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

(t) all sales of tangible personal property or services purchased directly by a groundwater management district organized or operating under the authority of K.S.A. 82a-1020 et seq., and amendments thereto, which property or services are used in the operation or maintenance of the district;

(u) all sales of used farm machinery and equipment, repair and replacement parts therefor and services performed in the repair and maintenance of such machinery and equipment. For the purposes of this subsection the term "farm machinery and equipment" shall not include any passenger vehicle, truck, truck tractor, trailer, semitrailer or pole trailer, other than a farm trailer, as said terms are defined by K.S.A. 8-126 and amendments thereto. For the purposes of this subsection "sales of used farm machinery and equipment" shall mean and include sales other than the original retail sale of such machinery and equipment. Each purchaser of farm machinery or equipment exempted herein must certify in writing on the copy of the invoice or sales ticket to be retained by the seller that such purchaser is engaged in farming or ranching and that the farm machinery or

equipment purchased will be used only in farming or ranching;

(v) all leases or rentals of tangible personal property used as a dwelling where said tangible personal property is leased or rented for a period of more than 28 consecutive days;

(w) all sales of food products to any contractor for use in preparing meals for delivery to homebound elderly persons over 60 years of age and to homebound disabled persons or to be served at a group-sitting at a location outside of the home to otherwise homebound elderly persons over 60 years of age and to otherwise homebound disabled persons, as all or part of any food service project funded in whole or in part by government or as part of a private nonprofit food service project available to all such elderly or disabled persons residing within an area of service designated by the private nonprofit organization;

(x) all sales of natural gas, electricity, heat and water delivered through mains, lines or pipes to residential premises for noncommercial use by the occupant of such premises and all sales of natural gas, electricity, heat and water delivered through mains, lines or pipes for agricultural use;

(y) all sales of propane gas, LP-gas, coal, wood and other fuel sources for the production of heat or lighting for noncommercial use of an occupant of residential premises;

(z) all sales of intrastate telephone and telegraph services for noncommercial use except noncommercial intrastate long distance telephone service;

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

(bb) sales of tangible personal property and services purchased directly by a port authority or by a contractor therefor as provided by the provisions of K.S.A. 12-3418, and amendments thereto; and

(cc) all sales of materials and services applied to

equipment which is transported into the state from without the state for repair, service, alteration, maintenance, remanufacture or modification and which is subsequently transported outside the state for use in the transmission of liquids or natural gas by means of pipeline in interstate or foreign commerce under authority of the laws of the United States;

(dd) all sales of used mobile homes. As used in this subsection: (1) "Mobile homes" shall have the meaning ascribed thereto by K.S.A. 75-1226, and amendments thereto; and (2) "sales of used mobile homes" shall mean sales other than the original retail sale of such mobile homes; and

(ee) all sales of new mobile homes to the extent of 50% of the gross receipts received from such sale. As used in this subsection, "mobile homes" shall have the meaning ascribed thereto by K.S.A. 75-1226, and amendments thereto."

Also, on page 5, in line 158, by striking "1982 Supp. 79-3603" and inserting "1983 Supp. 79-3606";

In the title, in-line 17, by striking all after "therefrom"; in line 18, by striking all before the semicolon and inserting "of certain mobile homes"; also, in line 18, by striking all after "K.S.A." and inserting "1983 Supp. 79-3606"