

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANSThe meeting was called to order by Senator Paul Hess at
Chairperson4:00 a.m./p.m. on April 4, 1984 in room 123-S of the Capitol.All members were present except:
Senators Talkington and WertsCommittee staff present:
Research Department: Mary Galligan, Lynne Holt
Revisor's Office: Norman Furse
Committee Office: Mark Skinner, Doris FagerConferees appearing before the committee:
Senator Paul Feleciano
Art Griggs, Attorney, Department of Administration
Bill Smith, Director of Printing, State Printing PlantINTRODUCTION OF BILLS

Senator Feleciano appeared before the committee to explain that HB 2742 had passed the House, but was stricken from the calendar in the Senate. He stressed that the bill is needed, and asked that a Senate Bill be introduced to include identical language to HB 2742.

Motion was made by Senator Harder and seconded by Senator Bogina to introduce the bill requested by Senator Feleciano and suggest that it be referred to Committee of the Whole. The motion carried by roll call vote.

Senator Feleciano explained that House Bill 2973 had also passed the House, and was stricken from the calendar in the Senate. He requested that the committee introduce an identical bill.

Motion was made by Senator Bogina and seconded by Senator Harder to introduce the bill identical to House Bill 2973 and to request that it be referred to Committee of the Whole. The motion carried by roll call vote.

The committee was made aware of the fact that House Bill No. 2609 had been stricken from the Senate calendar, and should be re-introduced.

Motion was made by Senator Steineger and seconded by Senator McCray to introduce a bill identical to HB 2609 and to request that it be referred to Committee of the Whole. The motion carried by roll call vote.

STATE PRINTING PLANT

Senator Hess explained that the House had included the funds for a new state printing plant in SB 872, a multi-year capital improvements appropriations bill. He called upon Mr. Griggs to explain in detail the costs of the plant.

Mr. Griggs distributed Attachments A and B, and outlined the history and costs of a proposed new printing plant.

There were questions from committee members concerning the cost of the plant. Mr. Griggs said the estimated cost is \$3.8 million, not including the planning. When asked about using the private sector for state printing, Mr. Griggs said the state is moving in that direction. He indicated that, because the state needs the printing plant during the 90 days the Legislature is in session so that bills may be printed rapidly, it is difficult to use the private sector entirely the remainder of the year, because equipment needs to be kept in production all of the year and skilled craftsmen need to be kept on hand all year.

STATE PRINTING PLANT (Continued)

Senator Bogina indicated the Joint Committee on State Building Construction had reviewed the Blumenthal report, and discovered it to be very unbiased. He said there are defects in the old printing plant which have never been corrected. He added that if the Legislature wants the luxury of the turnaround it has been getting in bills, the new plant is necessary.

Mr. Smith said the private sector is being used currently, and that process color work has been contracted out. That amounts to about \$325,000 a year.

There was further discussion and there were questions from committee members concerning the proposed new printing plant. Senator Hess reminded the committee that this will show up in the multi-year appropriations bill.

INTRODUCTION OF BILL

Senator Doyen explained that the committee has a resolution pending which deals with air quality control in elevators throughout the state. He indicated that a bill is needed regarding the same subject.

Motion was made by Senator Doyen and seconded by Senator Gaines to introduce the bill relating to regulation of air contaminant sources, etc. The motion carried by voice vote.

The meeting was adjourned.

Int cow

4-4-84

As Amended by House Committee

Session of 1984

HOUSE BILL No. 2742

By Representatives Baker, Dean, Foster, Francisco, Helgerson, Matlack, Meacham, K. Ott, Rogers, Darrel Webb and Williams

(By request)

1-23

0020 AN ACT concerning the Kansas retailers' sales tax; relating to
0021 exemptions thereto; amending K.S.A. 1983 Supp. 79-3606 and
0022 repealing the existing section.

0023 *Be it enacted by the Legislature of the State of Kansas:*

0024 Section 1. K.S.A. 1983 Supp. 79-3606 is hereby amended to
0025 read as follows: 79-3606. The following shall be exempt from the
0026 tax imposed by this act:

0027 (a) All sales of motor-vehicle fuel or other articles upon
0028 which a sales or excise tax has been paid, not subject to refund,
0029 under the laws of this state except cigarettes as defined by K.S.A.
0030 79-3301, *and amendments thereto*, cereal malt beverages and
0031 malt products as defined by K.S.A. 79-3817, *and amendments*
0032 *thereto*, including wort, liquid malt, malt syrup and malt extract
0033 and motor vehicles as defined by K.S.A. ~~1982 Supp.~~ 79-1017, *and*
0034 *amendments thereto*;

0035 (b) all sales of tangible personal property or service, includ-
0036 ing the renting and leasing of tangible personal property, pur-
0037 chased directly by the state of Kansas, a political subdivision
0038 thereof, other than a school or educational institution, or pur-
0039 chased by a public or private nonprofit hospital or nonprofit
0040 blood bank and used exclusively for state, political subdivision,
0041 hospital or nonprofit blood bank purposes; ~~except when such~~
0042 ~~state, political subdivision, or hospital is engaged or proposes to~~
0043 ~~engage in a business specifically taxable under the provisions of~~
0044 ~~this act and such items of tangible personal property or service~~
0045 ~~are used or proposed to be used in such business, except when:~~

0046 (1) Such state or hospital is engaged or proposes to engage in any
0047 business specifically taxable under the provisions of this act and
0048 such items of tangible personal property or service are used or
0049 proposed to be used in such business, or (2) such political
0050 subdivision is engaged or proposes to engage in the business of
0051 furnishing gas, water, electricity or heat to others and such items
0052 of personal property or service are used or proposed to be used in
0053 such business;

0054 (c) all sales of tangible personal property or services, includ-
0055 ing the renting and leasing of tangible personal property, pur-
0056 chased directly by a public or private elementary or secondary
0057 school or public or private nonprofit educational institution and
0058 used primarily by such school or institution for nonsectarian
0059 programs and activities provided or sponsored by such school or
0060 institution or in the erection, repair or enlargement of buildings
0061 to be used for such purposes. The exemption herein provided
0062 shall not apply to erection, construction, repair, enlargement or
0063 equipment of buildings used primarily for human habitation;

0064 (d) all sales of tangible personal property or services pur-
0065 chased by a contractor for the purpose of constructing, equip-
0066 ping, reconstructing, maintaining, repairing, enlarging, furnish-
0067 ing or remodeling facilities for any public or private nonprofit
0068 hospital, public or private elementary or secondary school or a
0069 public or private nonprofit educational institution, which would
0070 be exempt from taxation under the provisions of this act if
0071 purchased directly by such hospital, school or educational insti-
0072 tution; and all sales of tangible personal property or services
0073 purchased by a contractor for the purpose of constructing,
0074 equipping, reconstructing, maintaining, repairing, enlarging,
0075 furnishing or remodeling facilities for any political subdivision
0076 of the state the total cost of which is paid from funds of such
0077 political subdivision and which would be exempt from taxation
0078 under the provisions of this act if purchased directly by such
0079 political subdivision. Nothing in this subsection or in the provi-
0080 sions of K.S.A. 12-3418, and amendments thereto, shall be
0081 deemed to exempt the purchase of any construction machinery,
0082 equipment or tools used in the constructing, equipping, recon-

0083 structing, maintaining, repairing, enlarging, furnishing or re-
0084 modeling facilities for any political subdivision of the state. As
0085 used in this subsection, K.S.A. 12-3418, and amendments
0086 thereto, and K.S.A. 1982 ~~Supp.~~ 79-3640, *and amendments*
0087 *thereto*, "funds of a political subdivision" shall mean general tax
0088 revenues, the proceeds of any bonds and gifts or grants-in-aid.
0089 Gifts shall not mean funds used for the purpose of constructing,
0090 equipping, reconstructing, repairing, enlarging, furnishing or
0091 remodeling facilities which are to be leased to the donor. When
0092 any political subdivision of the state, public or private nonprofit
0093 hospital, public or private elementary or secondary school or
0094 public or private nonprofit educational institution shall contract
0095 for the purpose of constructing, equipping, reconstructing,
0096 maintaining, repairing, enlarging, furnishing or remodeling fa-
0097 cilities, it shall obtain from the state and furnish to the contractor
0098 an exemption certificate for the project involved, and the con-
0099 tractor may purchase materials for incorporation in such project.
0100 The contractor shall furnish the number of such certificate to all
0101 suppliers from whom such purchases are made, and such sup-
0102 pliers shall execute invoices covering the same bearing the
0103 number of such certificate. Upon completion of the project the
0104 contractor shall furnish to the political subdivision, hospital,
0105 school or educational institution concerned a sworn statement,
0106 on a form to be provided by the director of taxation, that all
0107 purchases so made were entitled to exemption under this sub-
0108 section. All invoices shall be held by the contractor for a period
0109 of five years and shall be subject to audit by the director of
0110 taxation. If any materials purchased under such a certificate be
0111 found not to have been incorporated in the building or other
0112 project or not to have been returned for credit or the sales or
0113 compensating tax otherwise imposed upon such materials which
0114 will not be so incorporated in the building or other project
0115 reported and paid by such contractor to the director of taxation
0116 not later than the 20th day of the month following the close of the
0117 month in which it shall be determined that such materials will
0118 not be used for the purpose for which such certificate was issued,
0119 the political subdivision, hospital, school or educational institu-

0120 tion concerned shall be liable for tax on all materials purchased
0121 for the project, and upon payment thereof it may recover the
0122 same from the contractor together with reasonable attorney fees.
0123 Any contractor or any agent, employee or subcontractor thereof,
0124 who shall use or otherwise dispose of any materials purchased
0125 under such a certificate for any purpose other than that for which
0126 such a certificate shall be issued without the payment of the sales
0127 or compensating tax otherwise imposed upon such materials
0128 shall be guilty of a misdemeanor and, upon conviction therefor,
0129 shall be subject to the penalties provided for in K.S.A. ~~1982~~
0130 ~~Supp.~~ 79-3615(4), *and amendments thereto*;

0131 (e) all sales of tangible personal property or services pur-
0132 chased by a contractor for the erection, repair or enlargement of
0133 buildings or other projects for the government of the United
0134 States, its agencies or instrumentalities, which would be exempt
0135 from taxation if purchased directly by the government of the
0136 United States, its agencies or instrumentalities. When the gov-
0137 ernment of the United States, its agencies or instrumentalities
0138 shall contract for the erection, repair, or enlargement of any
0139 building or other project, it shall obtain from the state and
0140 furnish to the contractor an exemption certificate for the project
0141 involved, and the contractor may purchase materials for incor-
0142 poration in such project. The contractor shall furnish the number
0143 of such certificates to all suppliers from whom such purchases
0144 are made, and such suppliers shall execute invoices covering the
0145 same bearing the number of such certificate. Upon completion of
0146 the project the contractor shall furnish to the government of the
0147 United States, its agencies or instrumentalities concerned a
0148 sworn statement, on a form to be provided by the director of
0149 taxation, that all purchases so made were entitled to exemption
0150 under this subsection. All invoices shall be held by the contrac-
0151 tor for a period of five years and shall be subject to audit by the
0152 director of taxation. Any contractor or any agent, employee or
0153 subcontractor thereof, who shall use or otherwise dispose of any
0154 materials purchased under such a certificate for any purpose
0155 other than that for which such a certificate shall be issued
0156 without the payment of the sales or compensating tax otherwise

0157 imposed upon such materials shall be guilty of a misdemeanor
0158 and, upon conviction therefor, shall be subject to the penalties
0159 provided for in K.S.A. ~~1982 Supp.~~ 79-3615(4), and amendments
0160 thereto;

0161 (f) tangible personal property purchased by a railroad or
0162 public utility for consumption or movement directly and imme-
0163 diately in interstate commerce;

0164 (g) sales of aircraft including remanufactured and modified
0165 aircraft, sales of aircraft repair, modification and replacement
0166 parts and sales of services employed in the remanufacture, mod-
0167 ification and repair of aircraft sold to persons using such aircraft
0168 and aircraft repair, modification and replacement parts as cer-
0169 tified or licensed carriers of persons or property in interstate or
0170 foreign commerce under authority of the laws of the United
0171 States or any foreign government or sold to any foreign govern-
0172 ment or agency or instrumentality of such foreign government
0173 and all sales of aircraft, aircraft parts, replacement parts and
0174 services employed in the remanufacture, modification and repair
0175 of aircraft for use outside of the United States;

0176 (h) all rentals of nonsectarian textbooks by public or private
0177 elementary or secondary schools;

0178 (i) the lease or rental of all films, records, tapes, or any type of
0179 sound or picture transcriptions used by motion picture exhibi-
0180 tors;

0181 (j) meals served without charge or food used in the prepara-
0182 tion of such meals to employees of any restaurant, eating house,
0183 dining car, hotel, drugstore or other place where meals or drinks
0184 are regularly sold to the public if such employees' duties are
0185 related to the furnishing or sale of such meals or drinks;

0186 (k) any motor vehicle, semitrailer or pole trailer, as such
0187 terms are defined by K.S.A. 8-126, and amendments thereto, or
0188 aircraft sold and delivered in this state to a bona fide resident of
0189 another state, which motor vehicle, semitrailer, pole trailer or
0190 aircraft is not to be registered or based in this state and which
0191 vehicle, semitrailer, pole trailer or aircraft will not remain in this
0192 state more than 10 days;

0193 (l) all isolated or occasional sales of tangible personal prop-

0194 erty, services, substances or things, except isolated or occasional
0195 sale of motor vehicles specifically taxed under the provisions of
0196 K.S.A. ~~1982 Supp.~~ 79-3603(o), and amendments thereto;

0197 (m) all sales of tangible personal property which become an
0198 ingredient or component part of tangible personal property or
0199 services produced, manufactured or compounded for ultimate
0200 sale at retail within or without the state of Kansas; and any such
0201 producer, manufacturer or compounder may obtain from the
0202 director of taxation and furnish to the supplier an exemption
0203 certificate number for tangible personal property for use as an
0204 ingredient or component part of the property or services pro-
0205 duced, manufactured or compounded;

0206 (n) all sales of tangible personal property which is consumed
0207 in the production, manufacture, processing, mining, drilling,
0208 refining or compounding of tangible personal property, the pro-
0209 viding of services or the irrigation of crops for ultimate sale at
0210 retail within or without the state of Kansas; and any purchaser of
0211 such property may obtain from the director of taxation and
0212 furnish to the supplier an exemption certificate number for
0213 tangible personal property for consumption in such production,
0214 manufacture, processing, mining, drilling, refining, compound-
0215 ing, irrigation and in providing such services;

0216 (o) all sales of animals, fowl and fish, the primary purpose of
0217 which is use in agriculture, the production of food for human
0218 consumption, the production of animal, dairy, poultry or fish
0219 products, fiber or fur, or the production of offspring for use for
0220 any such purpose or purposes;

0221 (p) trade fixtures and equipment which is already installed
0222 and second-hand when sold by a person ceasing to do business
0223 where said fixtures or equipment is installed;

0224 (q) all sales of prescription only drugs, as defined by K.S.A.
0225 65-1626, *and amendments thereto*, dispensed pursuant to a pre-
0226 scription order, as defined by K.S.A. 65-1626, *and amendments*
0227 *thereto*, by a licensed practitioner;

0228 (r) all sales of insulin dispensed by a person licensed by the
0229 state board of pharmacy to a person for treatment of diabetes at
0230 the direction of a person licensed to practice medicine by the

0231 board of healing arts;

0232 (s) all sales of prosthetic and orthopedic appliances pre-
0233 scribed in writing by a person licensed to practice the healing
0234 arts, dentistry or optometry. For the purposes of this subsection,
0235 the term prosthetic and orthopedic appliances means any appa-
0236 ratus, instrument, device, or equipment used to replace or sub-
0237 stitute for any missing part of the body; used to alleviate the
0238 malfunction of any part of the body; or used to assist any disabled
0239 person in leading a normal life by facilitating such person's
0240 mobility; but such term shall not include motor vehicles, acces-
0241 sories to be attached to motor vehicles or personal property
0242 which when installed becomes a fixture to real property;

0243 (t) all sales of tangible personal property or services pur-
0244 chased directly by a groundwater management district organized
0245 or operating under the authority of K.S.A. 82a-1020 *et seq.*, and
0246 *amendments thereto*, which property or services are used in the
0247 operation or maintenance of the district;

0248 (u) all sales of used farm machinery and equipment, repair
0249 and replacement parts therefor and services performed in the
0250 repair and maintenance of such machinery and equipment. For
0251 the purposes of this subsection the term "farm machinery and
0252 equipment" shall not include any passenger vehicle, truck, truck
0253 tractor, trailer, semitrailer or pole trailer, other than a farm trailer,
0254 as said terms are defined by K.S.A. 8-126, and amendments
0255 thereto. For the purposes of this subsection "sales of used farm
0256 machinery and equipment" shall mean and include sales other
0257 than the original retail sale of such machinery and equipment.
0258 Each purchaser of farm machinery or equipment exempted
0259 herein must certify in writing on the copy of the invoice or sales
0260 ticket to be retained by the seller that such purchaser is engaged
0261 in farming or ranching and that the farm machinery or equipment
0262 purchased will be used only in farming or ranching;

0263 (v) all leases or rentals of tangible personal property used as a
0264 dwelling where said tangible personal property is leased or
0265 rented for a period of more than 28 consecutive days;

0266 (w) all sales of food products to any contractor for use in
0267 preparing meals for delivery to homebound elderly persons over

0268 60 years of age and to homebound disabled persons or to be
0269 served at a group-sitting at a location outside of the home to
0270 otherwise homebound elderly persons over 60 years of age and
0271 to otherwise homebound disabled persons, as all or part of any
0272 food service project funded in whole or in part by government or
0273 as part of a private nonprofit food service project available to all
0274 such elderly or disabled persons residing within an area of
0275 service designated by the private nonprofit organization;

0276 (x) all sales of natural gas, electricity, heat and water deliv-
0277 ered through mains, lines or pipes to residential premises for
0278 noncommercial use by the occupant of such premises and all
0279 sales of natural gas, electricity, heat and water delivered through
0280 mains, lines or pipes for agricultural use;

0281 (y) all sales of propane gas, LP-gas, coal, wood and other fuel
0282 sources for the production of heat or lighting for noncommercial
0283 use of an occupant of residential premises;

0284 (z) all sales of intrastate telephone and telegraph services for
0285 noncommercial use except noncommercial intrastate long dis-
0286 tance telephone service;

0287 (aa) all sales of materials and services used in the repairing,
0288 servicing, altering, maintaining, manufacturing, remanufactur-
0289 ing, or modification of railroad rolling stock for use in interstate
0290 or foreign commerce under authority of the laws of the United
0291 States;

0292 (bb) sales of tangible personal property and services pur-
0293 chased directly by a port authority or by a contractor therefor as
0294 provided by the provisions of K.S.A. 12-3418, and amendments
0295 thereto; and

0296 (cc) all sales of materials and services applied to equipment
0297 which is transported into the state from without the state for
0298 repair, service, alteration, maintenance, remanufacture or modi-
0299 fication and which is subsequently transported outside the state
0300 for use in the transmission of liquids or natural gas by means of
0301 pipeline in interstate or foreign commerce under authority of the
0302 laws of the United States.

0303 Sec. 2. K.S.A. 1983 Supp. 79-3606 is hereby repealed.

0304 Sec. 3. This act shall take effect and be in force from and
0305 after its publication in the statute book.

Int Cow

58-4-4

As Amended by House Committee

Session of 1984

HOUSE BILL No. 2973

By Representative Polson

(By Request)

2-8

0019 AN ACT relating to city and countywide retailers' sales tax;
0020 concerning the situs of cable television services; amending
0021 K.S.A. 1983 Supp. 12-191 and repealing the existing section.

0022 *Be it enacted by the Legislature of the State of Kansas:*

0023 Section 1. K.S.A. 1983 Supp. 12-191 is hereby amended to
0024 read as follows: 12-191. All retail transactions consummated
0025 within a county or city having a retail sales tax, which transac-
0026 tions are subject to the Kansas retailers' sales tax, shall also be
0027 subject to such county or city retail sales tax, except as otherwise
0028 expressly provided in K.S.A. 12-190, and amendments thereto.
0029 Except as hereinafter provided, all retail sales, for the purpose of
0030 this act, shall be considered to have been consummated at the
0031 place of business of the retailer. In the event the place of
0032 business of a retailer is doubtful the place or places at which the
0033 retail sales are consummated for the purposes of this act shall be
0034 determined under rules and regulations adopted by the secretary
0035 of revenue which rules and regulations shall be considered with
0036 state and federal law insofar as applicable. Retail sales involving
0037 the use, consumption, or furnishing of gas, water, electricity and
0038 heat, for the purposes of this act, shall be considered to have
0039 been consummated at the situs of the user or recipient thereof,
0040 and retail sales involving the use or furnishing of telephone
0041 service ~~or cable television service~~ services taxed under subsec-
0042 tion (k) of K.S.A. 79-3603, and amendments thereto, shall be
0043 considered to have been consummated at the situs of the sub-
0044 scriber billed therefor. Retail sales involving the furnishing of
0045 services taxable under subsections (p), (q) and (r) of K.S.A.

0046 79-3603, and amendments thereto, pursuant to a contract under
0047 which the sale of such services and the furnishing of tangible
0048 personal property exceeds \$10,000 per contract per contractor
0049 shall be considered to have been consummated at the situs
0050 where such services are performed. The director of taxation is
0051 hereby authorized to request and receive from any retailer or
0052 from any city or county levying the tax such information as may
0053 be reasonably necessary to determine the liability of retailers for
0054 any county or city sales tax. In all cases the collection of any
0055 county sales tax or sales tax levied by a class B city shall
0056 commence on the first day of the month, except in no case shall
0057 collection thereof begin prior to the first day of the month next
0058 following the 60th day after the date of the election authorizing
0059 the levy of such tax.

0060 A city retailers' sales tax shall not become effective within any
0061 area annexed by a city levying such tax until the first day of the
0062 month following the 30th day after the date that the governing
0063 body of such city provided the state department of revenue with
0064 a certified copy of the annexation ordinance and a map of the city
0065 detailing the annexed area.

0066 Whenever any sales tax, imposed by any class B city or county
0067 under the provisions of this act, shall become effective, at any
0068 time prior to the time that revenue derived therefrom may be
0069 budgeted for expenditure in such year, such revenue shall be
0070 credited to the funds of the taxing subdivision or subdivisions
0071 and shall be carried forward to the credit of such funds for the
0072 ensuing budget year in the manner provided for carrying forward
0073 balances remaining in such funds at the end of a budget year.

0074 Sec. 2. K.S.A. 1983 Supp. 12-191 is hereby repealed.

0075 Sec. 3. This act shall take effect and be in force from and
0076 after its publication in the statute book.

Int cow
4-4-84

As Amended by House Committee

Session of 1984

HOUSE BILL No. 2609

By Representative Foster

12-21

0018 AN ACT concerning the Kansas inheritance tax act; providing
0019 credits against the taxes imposed by that act for the value of
0020 certain contributions of works of art; amending K.S.A. 1983
0021 Supp. 79-32,120 and 79-32,138 and repealing the existing
0022 sections.

0023 *Be it enacted by the Legislature of the State of Kansas:*

0024 Section 1. This act shall be known and may be cited as the
0025 art acceptance act.

0026 Sec. 2. (a) As used in this act:

0027 (1) "Museum" means any art gallery or museum located in
0028 Kansas which is supported in whole or in part by public funds;
0029 and

0030 (2) "Work of art" means any painting, drawing, print, photo-
0031 graph, sculpture, carving, textile, basket or other article of in-
0032 trinsic cultural value.

0033 (b) All other words and phrases, unless the context clearly
0034 requires otherwise, shall have the meanings respectively
0035 ascribed thereto under the Kansas inheritance tax act.

0036 Sec. 3. Any distributee of a decedent's estate who succeeds
0037 to the ownership of one or more works of art from such estate and
0038 who is liable to pay a tax under the Kansas inheritance tax act on
0039 the privilege of succeeding to the ownership of property from
0040 such estate, including such work or works of art, shall receive a
0041 credit against such tax for the contribution of one or more of such
0042 works of art to a museum as provided in this act if such con-
0043 tribution is made within 12 months after the date on which the
0044 distributee succeeds to such work or works of art. The amount of
0045 such credit shall be equal to 20% of the valuation of such work or
0046 works of art which are contributed to a museum as determined

0047 for purposes of determining the tax under the Kansas inheritance
0048 tax act, except that the amount of such credit in the case of any
0049 one distributee shall not be more than \$5,000.

0050 Sec. 4. K.S.A. 1983 Supp. 79-32,120 is hereby amended to
0051 read as follows: 79-32,120. (a) If federal taxable income of an
0052 individual is determined by itemizing deductions from such
0053 individual's federal adjusted gross income, such individual may
0054 elect to deduct the Kansas itemized deduction in lieu of the
0055 Kansas standard deduction. The Kansas itemized deduction of
0056 an individual means the total amount of deductions from federal
0057 adjusted gross income, other than federal deductions for per-
0058 sonal exemptions, as provided in the internal revenue code of
0059 1954, as amended, and in effect on December 31, 1977, with the
0060 modifications specified in this section.

0061 (b) The total amount of deductions from federal adjusted
0062 gross income shall be reduced by the total amount of income
0063 taxes imposed by or paid to this state or any other taxing juris-
0064 diction to the extent that the same are deducted in determining
0065 the federal itemized deductions, by the amount of medical and
0066 dental expenses claimed in determining such deductions, by the
0067 amount of any charitable contribution claimed for any contribu-
0068 tion or gift to or for the use of any racially segregated educational
0069 institution, *by the amount of any charitable contribution*
0070 *claimed for any contribution of art works for which a credit*
0071 *against inheritance tax liability is claimed pursuant to section 3*
0072 *and by the amount of all depreciation deductions claimed for any*
0073 *real or tangible personal property upon which the deduction*
0074 *allowed by K.S.A. 79-32,161, and amendments thereto, and by*
0075 *K.S.A. 79-32,168, and amendments thereto, is or has been*
0076 *claimed.*

0077 (c) The total amount of deductions from federal adjusted
0078 gross income shall be increased by the sum of:

0079 (i) The federal income tax liability under chapter 1 of the
0080 internal revenue code for the same taxable year for which the
0081 Kansas return is being filed after reduction for all credits
0082 thereon, except credits for federal withholding and payments on
0083 estimates of federal income tax, credits for gasoline and lubri-

0084 cating oil tax, and for foreign tax credits in an amount as herein-
0085 after provided. If, in any year to which this act relates, the
0086 taxpayer pays federal income tax pertaining to a prior year's
0087 federal income tax liability, such taxpayer may deduct such
0088 payment in the year such payment is made if, on the Kansas
0089 income tax return for such prior year, such taxpayer computed
0090 the federal income tax deduction on the basis of federal income
0091 tax paid in such prior year, rather than as accrued. The deduction
0092 for federal income tax liability for any year shall be determined
0093 by multiplying the federal income tax liability for such year by a
0094 fraction the numerator of which is the Kansas adjusted gross
0095 income for such year and the denominator of which is the federal
0096 adjusted gross income for the same year. Notwithstanding the
0097 foregoing, for all taxable years commencing after December 31,
0098 1982 and prior to January 1, 1985, the deduction for federal
0099 income liability allowed by this subsection, as limited by the
0100 preceding sentence, shall not exceed whichever of the following
0101 is greater: (A) Five thousand dollars in the case of a taxpayer
0102 filing a return as a single individual, head of household or
0103 married individual filing separately, or \$10,000 in the case of
0104 taxpayers filing a joint return; or (B) fifty percent of the product
0105 determined by multiplying federal income tax liability, after
0106 reduction for credits except those enumerated by the first sen-
0107 tence of this subsection, by the fraction determined under the
0108 preceding sentence.

0109 (ii) The amount of railroad retirement, social security or
0110 self-employment taxes payable under the internal revenue code
0111 for the same taxable year for which the Kansas return is being
0112 filed to the extent that the same are not deducted in computing
0113 federal taxable income. If in any year to which this act relates,
0114 the taxpayer pays railroad retirement, social security or self-
0115 employment taxes pertaining to a prior year's liability, such
0116 taxpayer may deduct such payment in the year in which such
0117 payment is made provided that such taxpayer has not deducted
0118 such amount in a prior year.

0119 (iii) Expenses in excess of \$50 paid during the taxable year
0120 not compensated for by insurance or otherwise, for medical or

0121 dental care for the taxpayer, the taxpayer's spouse, or a depen-
0122 dent.

0123 (iv) An amount for amortization of the amortizable costs of a
0124 certified oil production process as computed under K.S.A. 79-
0125 32,161, and amendments thereto.

0126 (v) An amount for the amortization deduction for a solar
0127 energy system allowed pursuant to K.S.A. 79-32,168, and
0128 amendments thereto.

0129 (vi) The fair market value of a painting or other work of art
0130 contributed to any art gallery or museum which is operated on a
0131 not-for-profit basis and which is supported in whole or part by
0132 public funds, by any taxpayer whose personal efforts created
0133 such painting or work of art, less the amount deducted from
0134 federal adjusted gross income attributable to such contribution.
0135 The value of such painting or work of art shall be determined and
0136 certified to the department of revenue by such art gallery or
0137 museum.

0138 Sec. 5. K.S.A. 1983 Supp. 79-32,138 is hereby amended to
0139 read as follows: 79-32,138. (a) Kansas taxable income of a corpo-
0140 ration taxable under this act shall be the corporation's federal
0141 taxable income for the taxable year with the modifications spec-
0142 ified in this section.

0143 (b) There shall be added to federal taxable income: (i) The
0144 same modifications as are set forth in *subsection (b)* of K.S.A.
0145 ~~1982 Supp. 79-32,117(b)~~ 79-32,117, and amendments thereto,
0146 with respect to resident individuals.

0147 (ii) Any gain excluded from federal taxable income by virtue
0148 of the application of section 337 of the internal revenue code. For
0149 purposes of this subsection any gain not otherwise included in
0150 federal taxable income that would be received from an install-
0151 ment obligation distributed in the liquidation shall be added to
0152 federal taxable income in the corporation's final taxable year.

0153 (iii) The amount of all depreciation deductions claimed for
0154 any real or tangible personal property upon which the deduction
0155 is allowed by K.S.A. ~~1982 Supp. 79-32,161~~, and amendments
0156 thereto.

0157 (iv) The amount of all depreciation deductions claimed for

0158 any property upon which the deduction allowed by K.S.A. 79-
0159 32,168, and amendments thereto, is claimed.

0160 (v) The amount of any charitable contribution deduction
0161 claimed for any contribution or gift to or for the use of any
0162 racially segregated educational institution.

0163 (vi) *The amount of any charitable contribution claimed for*
0164 *any contribution of art works for which a credit against inheri-*
0165 *tance tax liability is claimed pursuant to section 3.*

0166 (c) There shall be subtracted from federal taxable income: (i)
0167 The same modifications as are set forth in subsection (c) of K.S.A.
0168 ~~1982 Supp. 79-32,117(e)~~ 79-32,117, and amendments thereto,
0169 with respect to resident individuals.

0170 (ii) The federal income tax liability for any taxable year
0171 commencing prior to December 31, 1971, for which a Kansas
0172 return was filed after reduction for all credits thereon, except
0173 credits for payments on estimates of federal income tax, credits
0174 for gasoline and lubricating oil tax, and for foreign tax credits if,
0175 on the Kansas income tax return for such prior year, the federal
0176 income tax deduction was computed on the basis of the federal
0177 income tax paid in such prior year, rather than as accrued.
0178 Notwithstanding the foregoing, the deduction for federal income
0179 tax liability for any year shall not exceed that portion of the total
0180 federal income tax liability for such year which bears the same
0181 ratio to the total federal income tax liability for such year as the
0182 Kansas taxable income, as computed before any deductions for
0183 federal income taxes and after application of subsections (d) and
0184 (e) of this section as existing for such year, bears to the federal
0185 taxable income for the same year.

0186 (iii) Any loss not deducted from federal taxable income by
0187 virtue of the application of section 337 of the internal revenue
0188 code.

0189 (iv) An amount for amortization of the amortizable costs of a
0190 certified oil production process as computed under K.S.A. ~~1982~~
0191 ~~Supp. 79-32,161,~~ and amendments thereto.

0192 (v) An amount for the amortization deduction for a solar
0193 energy system allowed pursuant to K.S.A. 79-32,168, and
0194 amendments thereto.

0195 (d) If any corporation derives all of its income from sources
0196 within Kansas in any taxable year commencing after December
0197 31, 1979, its Kansas taxable income shall be the sum resulting
0198 after application of subsections (a) through (c) hereof. Otherwise,
0199 such corporation's Kansas taxable income in any such taxable
0200 year, after excluding any refunds of federal income tax and
0201 before the deduction of federal income taxes provided by sub-
0202 section (c)(ii) shall be allocated as provided in K.S.A. 79-3271
0203 ~~through to K.S.A. 79-3293, inclusive, and amendments thereto,~~
0204 plus any refund of federal income tax as determined under
0205 paragraph (iv) of subsection (b) of K.S.A. 1982 Supp. 79-
0206 ~~32,117(b)(iv)~~ 79-32,117, and minus the deduction for federal
0207 income taxes as provided by subsection (c)(ii) shall be such
0208 corporation's Kansas taxable income.

0209 Sec. 4 6. The provisions of sections 1 to 3, inclusive, this act
0210 shall be applicable to the estates of all decedents dying after
0211 December 31, 1984.

0212 Sec. 7. K.S.A. 1983 Supp. 79-32,120 and 79-32,138 are hereby
0213 repealed.

0214 Sec. 5 8. This act shall take effect and be in force from and
0215 after its publication in the statute book.

April 2, 1984

CHRONOLOGY OF STATE PRINTING FACILITY STUDIES AND RECOMMENDATIONS

- I. 1975-76--State Printing Advisory Committee created by Kansas Legislature and directed to "perform planning and programming functions for determination of the scope and program of printing for the state, including photocomposition from computer-generated input, other methods of centralized reproduction of documents and construction projects therefor."

Major Study Results:

1. Continue high-volume centralized operations with proviso that director obtain certain work in the commercial market.
2. Continue technological improvements with computerized photocomposition, direct-image offset platemaking, high-speed roll-fed press equipment. 1976 Legislature appropriates \$660,353 to buy equipment and software.
3. Build a new printing plant convenient to the statehouse complex with up-to-date but functional design (manufacturing-type building) with proper humidity controls and air conditioning (Size: 110,000 square feet).
4. Establish appropriate controls over state agencies' buying or leasing typesetting, presses, offset duplicators or other printing equipment and thereby competing with the state's central operation.

- II. Sept. 1980--Legislative Division of Post Audit Report Comparing Division of Printing Charges with Commercial Printers' Charges states that of the sample jobs checked, "legislative work, stationery, and miscellaneous, the Division is competitive with commercial firms...because of its computerized photocomposition system... enables Division to produce numerous legislative jobs such as bills, resolutions, and journals with a one-day turnaround time the private printers would be unable to bid because their composition equipment could not provide the turnaround time required by the Legislature..."

- III. 1982--Joint Committee on State Building Construction Makes Study of Condition of State Printing Facility--Recommendation: That \$148,600 in final planning money be appropriated by the 1983 Legislature to complete plans for a new printing plant.

- IV. January 1983--Governor Carlin requests \$148,600 from the 1983 Legislature for final planning money to build a new state printing plant.

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- V. April 1983--Comprehensive study, report, and recommendations on the operations of the Division of Printing by a nationally-known commercial printing industry consultant completed and presented to the Secretary of Administration. Major recommendations:
1. A continued streamlining of operations, with provision made for contracting of specialized, long-run color printing and certain specialty forms to the private sector with specifications to be written by the Division.
 2. Staffing reductions to an eventual 114 positions.
 3. A new printing facility of reduced size (75,000 square feet).
- VI. May 1983--Legislature appropriates funds for planning and design of printing plant.
- VII. Oct. 1983--Finance Council by Resolution No. 83-125, authorizes Department of Administration to make expenditures from the State General Fund Account of the Department entitled "Final Planning and Design of Printing Plant."
- VIII. September 1983--Division of Architectural Services contracts architectural planning of new building with Kiene and Bradley, Topeka architects. Building size of 70,000 square feet planned.

State Printing Services

General Information and Management Initiatives

The Division of Printing employs 118 skilled and semiskilled printing craftspersons, including support services. This represents a 17% staffing reduction in the several years the division has been under the Department of Administration. In these past several years, the division's management has been restructuring operations by updating equipment and discontinuing marginal operations that are highly specialized and more cost effective to have done in the private sector. Over the last two years, the volume of printing jobs contracted out to the private sector has increased by 10%, or \$325,000 annually. Approximately \$6.3 million is spent annually on printing services handled by the Division of Printing or contracted out to the private sector. Over half of this \$6.3 million represents materials or services purchased from the private sector.

Future plans call for a phased approach to increase the use of the private sector for selected printing services (not including legislative work--bills, calendars, journals, and bill locators, etc.). The Division of Printing, rather than the Division of Purchases, would take primary responsibility for development of bid specifications for private sector printing. This approach will take advantage of the Division of Printing's experience and knowledge of costs, which can result in cost-saving recommendations relating to types of paper stock to use, types of finishing design layout, and other production costs.

New Print Plant

The proposed new printing plant is planned to be 70,000 square feet. This represents a 6,000 square foot reduction from the \$76,000 square feet presently utilized by the Division of Printing. Efficiencies in design of the new printing plant will result in annual savings of \$117,910 for such items as waste removal, building maintenance, and utility costs. Furthermore, the one-story design of the new building will improve productivity. The current facility is multi-storied and considerable effort and time is required to move materials from one floor to another. Further delay of the project will incur increased operating and construction costs. If an inflationary escalation in construction costs of 5% per year is used, delayed construction would result in increased construction costs of \$200,230 a year.

Should Legislative Printing Needs be Met by the Private Sector?

It has been suggested that the legislative printing needs could be met on an economical and efficient basis by contracting with private sector printers for such services. All information available to the Department of Administration indicates that such an approach would not be advantageous in Kansas. Three separate studies have all reached the same basic conclusion that it is not practical to contract out the legislative printing.

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1. 1976 Study.

The 1976 report of the State Printer Advisory Committee, titled "A Proposed Printing Program for the State of Kansas", stated:

"At the present time a degree of sophistication of high speed computerized composition and photo typesetting systems in use in private printing plants in Topeka is not of the level that would enable any one plant to produce the 27,000 pages of original composition required by the Kansas Legislature in the timeframe that the Legislature requires. It would require major updating in any private facility in Topeka to accomplish this objective. It is extremely doubtful that any private entrepreneur would be willing to gamble the investment needed to make the necessary updates in his equipment to be able to bid on legislative work if it were put to bid. It is even more doubtful that he would be willing to take such a risk if other private sector vendors could bid successfully, thereby assuring no vendor of more than one year's legislative business. Cost of equipment, software and staffing for three months of legislative business would be prohibitive."

2. 1980 Post Audit Study.

A 1980 special Legislative Post Audit report, "Comparing Division of Printing and Commercial Printing Charges", concluded that:

"For most of the legislative jobs such as bills, resolutions, and journals, the private printers would be unable to bid because their composition equipment could not provide the turnaround time required by the Legislature."

3. 1983 Study.

A detailed study completed in February 1983 by an independent consultant, Arthur Blumenthal, of Forest Hills, New York, stated:

"Some printing company executives who do work for the state were contacted by phone in this study. All agreed that there is a real need for a state printer. They see

that it would be impossible to bid out the fast turn around duplicator jobs. Most of the private sector printers believe that the state printing division should continue to do the printing of legislative bills, journals, calendars and law books. There is just no one set up to do this work on a timely basis at present." (Emphasis added.)

"The state printer operations are really intertwined with the legislative administrators in the production of bills, etc. The production of printed statutes in Kansas is efficient and is one of the very best systems in the country."

The Blumenthal study did recommend that certain types of jobs be contracted out and, as indicated previously, the division has begun to implement that recommendation.

Other States' Experience

Some states do contract all or part of their legislative printing needs. A 1976 study by the advisory committee and recent conversations with the officials in several states that contract out such printing jobs seem to point out two potential effects:

Reduction in speed and quality of services. In some states that contract for legislative printing needs, the level of service does not compare favorably with Kansas. In some states, amended bills are simply typed and xeroxed or amendments are attached to the original version of the bill (Arkansas and Wisconsin). In other states, turn around time is longer than that available in Kansas (Virginia).

Lack of Competition or Difficulty in Controlling Printing Standards. In Virginia, where typesetting is done in-house and printing is purchased, only one printing company has submitted a bid for the last five years. That company, however, refuses to print the appropriations bill and another company has consistently won the contract for it.

For many years, Louisiana printing contracts were dominated by one firm until it received almost 70% of the state printing purchases. Wisconsin had a similar experience; competition was inhibited because the successful printer held the type for lengthy materials such as statutes. When Wisconsin set up computerized typesetting operations, competition did increase; however, Wisconsin has since had difficulty, under competitive bidding laws that give the job to the lowest bidder, in maintaining printing standards. Arkansas, where the constitution requires purchase of all printing services, has had similar problems maintaining standards under a competitive bidding situation.

Impact of Contract Printing

It should be noted that if the state of Kansas were to contract with private vendors for legislative printing services, the sophisticated electronic typesetting and transmission system now in place would be difficult and expensive to transfer to a private vendor. The Printing Division now has a "front end computer" that allows incoming material to be stored so that alterations can be made to the material by the printing shop if necessary. The Department is not aware of any printers in the Topeka area that now have such a "front end computer". Without it, any typographical errors or other alterations would have to be sent again from the Revisor's Office or corrected manually.

In addition, the private vendor would have to purchase and/or develop "interface programs" that would allow transmissions from the Revisor's Office to "talk" with the vendor's typesetting system. Thus, the hardware and software that a private printer would have to acquire in order to allow us to continue using our present electronic system would involve an expensive investment. In 1976, such a typesetting system cost the state \$450,000. Such an investment would stifle future competition.

The present electronic typesetting system is economical in that millions of keystrokes are entered one time and then stored for later use in related documents. If centralized high-volume typesetting is abandoned, standing data bases for many existing jobs would be of no value to the successful vendor because the vendor would lack the equipment and software to process them. The cost, per page, would rise from \$2 to \$18, as the printer would have to keystroke all material. Since the contracts would probably be subject to annual changes among vendors, the advantage of picking up stored data base would rest with the last successful vendor, thereby reducing competition.

Conclusions

As the level of service provided by the Division of Printing is of high quality, and as private contractors for services of the type needed by Kansas state government are not currently available unless a substantial investment is made by a private printer, three studies since 1976 have concluded that the state needs the present capability to provide overnight services to the Legislature on legislative documents. Given this conclusion, and the deteriorating conditions of the present printing building, as recognized by the Joint Committee on State Building Construction in 1982, the state should not delay construction of a new printing plant.