Approved: 3/19/87

Minutes of the House Committee on Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on March 18, 1987 in room 519 South at the Capitol of the State of Kansas.

All members of the Committee were present.

Committee staff present:

Tom Severn, Legislative Research
Chris Courtright, Legislative Research
Don Hayward, Reviser of Statutes
Millie Foose, Committee Secretary

Mr. John Moir, Director of Finance, City of Wichita, testified as a proponent for HB-2509 - AN ACT relating to cities and counties; authorizing issuance of revenue bonds for capital improvements to be payable from revenues derived from countywide and city retailers' sales taxes. He said this bill would add sales tax revenue bonds as new tools available to municipalities to finance needed capital improvements essential for the economic development of the state and its local communities. (Attachment 1)

Mr. Jon Josserand, representing Wichita Chamber of Commerce, also testified as a proponent of HB-2509.

Mr. Howard Partington, representing City of Great Bend, urged support of HB-2509. He said it would be a tremendous aid to the community in helping finance flood control protection. (Attachment 2)

Mr. E. A. Mosher, Executive Director League of Kansas Municipalities, spoke in support of HB-2509. He said it would provide cities with more flexibility in financing their capital improvement and infrastructure needs. (Attachment 3)

Mr. Richard Treptow, representing Springsted, Inc., a public finance advisory firm, also spoke as a proponent. (Attach. 4)

Mr. Dennis Shockley, speaking for City of Kansas City, Kansas, also spoke as a proponent. (Attachment 5)

Representative Joan Wagnon, speaking for the House Tax Committee Sub-Committee, reviewed the work of previous interim committees and tax commissions regarding the sales tax. She reported that sales tax exemptions fall into four categories - Conceptual, Legal, Administrative, and Policy. She submitted the committee's report and also a proposed amendment to SB-309. (Attachment 6)

Representative Wagnon moved, second by Representative Fuller, that the subcommittee report and amendments to SB-309 be adopted as indicated. The motion passed.

The minutes of the previous meeting were approved.

There being no further business, the meeting was adjourned.

E. C. Rolfs

E. C. Rolfs, Chairman

March 18, 1987

The Honorable Ed C. Rolfs, Chairperson
Committee on Taxation
House of Representatives
State Capitol
Topeka, Kansas 66612

RE: House Bill 2509 Sales Tax Revenue Bonds

Dear Mr. Rolfs:

On behalf of the City of Wichita, I appear in support of HB 2509. If enacted, this bill would add sales tax revenue bonds as new tools available to municipalities to finance needed capital improvements essential for the economic development of the state and its local communities.

HB 2509 authorizes cities to pledge sales tax revenues to pay the principal and interest on bonds. In addition, the bill excludes sales tax revenue bonds from the statutory debt limit and permits flexible structuring of bond issues. The sales tax revenue bond is a growing form of permanent financing used in many states (for example, Colorado, Florida, Arkansas, California, Illinois, Georgia, New Mexico, and Louisiana). Sales tax revenue bonds are useful in situations where the municipality is constrained by statutory debt limits, no other revenues are available to finance long-term debt, and the governing body may be reluctant to pledge the full faith and credit of the city's taxing powers using general property tax levies.

The citizens of Sedgwick County approved a one cent countywide sales tax in 1985. The City Commission pledged one half of the new revenues to reduce general property taxes and the remaining one half for capital improvements (roads, highways and bridges, including right-of-way acquisitions). In conjunction with state and federal assistance, the City Commission has elected to use the capital improvement portion of the new sales tax revenues to complete the northeast piece of the circumferential expressway and develop an expressway along Kellogg Avenue (US 54 Highway). The total cost of these expressway improvements is expected to exceed $200 million. Currently, the city is reviewing design concepts that would complete the expressways in discrete phases. The City is within $180 million of its debt limitation. Obviously, the expressway projects combined with the normal capital improvement program would quickly erode the debt margin. This situation would weaken the credit rating on the City's general obligation bonds and increase interest costs for these bonds.

The authority for municipalities to issue sales tax revenue bonds would afford cities the opportunity to finance major capital improvement projects from available non-general property tax revenues without jeopardizing the community's credit rating and other normal capital improvement projects. The City of Wichita strongly supports HB 2509.

Sincerely,

John Moir

John Moir
Director of Finance

THE CITY OF GREAT BEND

P. O. BOX 1168 CITY BUILDING
GREAT BEND, KANSAS 67530

March 18, 1987

TO: House Taxation Committee

FROM: Howard D. Partington

RE: HB 2509

Chairman Rolfs, Taxation Committee members and friends, I am Howard D. Partington, City Administrator of Great Bend. I am here to urge your support for HB 2509.

As I understand, HB 2509 provides cities and counties the option of issuing revenue bonds for capital improvements to be paid for with revenue derived from countywide or city retailers' sales tax. This option is attractive to Great Bend for a number of reasons. I will expound on one of the major reasons at this time.

The City of Great Bend has long sought a flood control project. After the devastating flood of 1981, the citizens of Great Bend overwhelmingly voted in favor of proceeding with flood control protection for our community. A countywide sales tax was approved by the voters in Barton County and Great Bend city officials pledged to utilize a substantial portion of sales tax receipts for payment of the flood control project. The project is estimated to have a local cost of $15,000,000.00. Our residents want the project and have voted to support it. The availability of a financing tool as provided by HB 2509 would be a tremendous aid to our community. It would allow us the opportunity to issue debt to be paid for by sales tax revenues and reserve our property tax for operations.

Consideration of HB 2509 is timely since we have been hit with the loss of federal revenue sharing, a decrease in assessed valuation due to lessened oil activity, and increased demands for infrastructure improvements for economic development. Other positive reasons for passage of this bill include issuance of ad valorem debt, funding capital improvements in a unique manner so the property tax would be available for operations, and assisting in the future planning process.

HB 2509 would help Great Bend as it would provide a valuable alternative for the City Council to consider while funding our flood control project. It would help us in other ways in the future. Also, other communities in the state would benefit from the authority to utilize this type of capital improvements debt financing. The City of Great Bend urges your support for HB 2509.

Thank you for your time and consideration.

House Tax Com. - 3/18/87 - Attach. 2

STREET
6th and Morton
Box 1168
(316) 793-3991

WATER POLLUTION CONTROL
RFD #3
Box 1168
(316) 793-6969

PARK-ZOO
Brit Spaugh Park
Box 215
(316) 793-8419

FIRE
1205 Williams
Box 1168
(316) 793-8484

POLICE
1217 Williams
Box 1168
(316) 792-4311

League of Kansas Municipalities

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL/112 WEST SEVENTH ST., TOPEKA, KANSAS 66603/AREA 913-354-9565

TO: House Committee on Taxation
FROM: E.A. Mosher, Executive Director
DATE: March 18, 1987
SUBJECT: HB 2509--Local Sales Tax Bonds for Public Improvements

The League is in support of HB 2509, which would authorize cities and counties to issue bonds for capital improvements to be financed with the future receipts from a city or countywide sales tax. The bill would repeal K.S.A. Supp. 12-195, which now generally prohibits the issuance of bonds which commit any of the proceeds derived from a local sales tax, and establishes a complete procedure for the issuance of sales tax revenue bonds.

It is important to note that the bill would permit cities to do directly that which they are permitted to do indirectly. Under present law, cities are authorized to issue general obligation bonds for public improvements. Cities may also make payments from their general fund to pay the principal and interest on bonds. While transfers from the general fund to the bond and interest fund is apparently prohibited, it is legally permissible to retire bonds directly from the general fund. An example of this practice is the City of Wamego, which constructed a swimming pool from the proceeds of general obligation bonds, but utilize the proceeds of a voter-approved sales tax increase to retire the bonds.

Our special interest in this bill is to provide cities with more flexibility in financing their capital improvement and infrastructure needs, including improvements to serve economic development needs. We have a good deal of anxiety as to the future of the local property tax base following reappraisal and the implementation of the classification amendment. Further, we are aware that many voters are more receptive to a local sales tax than they are to property tax increases. Voters generally approve a local sales tax levy or increase when it is justified to the public, as evidenced by the fact that we now have 60 counties and 111 cities with a local sales tax.

We suggest two amendments to the bill.

The first amendment relates to the purposes for which such sales tax bonds may be issued. At least two state representatives have indicated to me that they think the language of subsection (a), on lines 22 to 26, may permit the issuance of bonds for capital improvements of a private nature. To clarify the intent, we suggest the word "capital" on line 25 be stricken and replaced with the word "public," with a similar change in the title. Further, in line 26, it is suggested that the following sentence be added: "Such bonds may be issued only for those public purposes for which the city or county is authorized by law to issue general obligation bonds."

House Tax Com. - 3/18/87 - Attach. 3

The second amendment would simply insert the words "and transfer" after the word "maintenance" on line 44. The purpose of this amendment is to clarify that local sales tax moneys, which must be deposited in the county or city general fund under the provisions of K.S.A. Supp. 12-192, may be transferred from the general fund to the bond and interest fund, or other funds that may be required to secure the sales tax revenue bond approach. I don't know whether such a fund transfer will be required. However, it could well prove necessary to market the bonds at an attractive interest cost.

Incidentally, HB 2509 repeals a section (12-195) which is amended by HB 2080--the Montgomery-Wyandotte sales tax bond bill. A Revisor's bill may be necessary later to reconcile the provisions.

We urge your favorable recommendation of HB 2509, with the amendments we have suggested. Frankly, we do not have good information as to how extensively it may be used. I suspect this determination will be made by the voters in the future, as well as by local governing bodies. If the voters of a city want a new police department headquarters, a swimming pool, a library building or a new highway facility, they may well prefer to pay for it with a local sales tax than with increased property taxes. We think this option should exist.

MEMORANDUM

TO: House, Assessment and Taxation Committee
State of Kansas

DATE: March 9, 1987

FROM:

Osmon R. Springsted, Chairman
Springsted Incorporated
85 East 7th Place
Saint Paul, Minnesota 55101-2143

Richard L. Treptow, Vice President
Springsted Incorporated
85 East 7th Place
Saint Paul, Minnesota 55101-2143

SUBJECT: Proposed Amendment to KSA 12-195 Authorizing the Pledge of Local Option of Sales Taxes to the Payment of Revenue Bonds and Authorizing the Issuance of Such Revenue Bonds

Springsted Incorporated is a public finance advisory firm which provides assistance to local units of government in 22 states. Annually, the firm is involved in the issuance of more than 200 tax-exempt and taxable bond issues. Currently we are engaged by the City of Wichita for the completion of analysis of how the City's 1987-1992 capital improvement program can be financed.

As part of that analysis, we intend to recommend the City seek the proposed amendment to KSA 12-195 for the following reasons:

1. The City's local option of sales tax collections are currently in excess of $23 million per year. That tax revenue represents one of the most significant and stable revenue sources available to the City. At present the City allocates 50% of these annual revenues to property tax relief for funding operating costs, and 50% to the construction of capital projects.

2. The City has several critical capital needs involving highway construction and reconstruction which cannot be done on a pay-as-you-go basis due to the scope and complexity of the required work. Annual sales tax allocations will not permit a comprehensive construction approach to satisfy these contract needs. These highway projects include the Kellogg and Northeast Expressways, with total program construction requirements exceeding $200 million between 1987 and 2011.

3. Except for annual appropriations of sales tax revenues, the City has no way to finance a multi-year construction program, other than issuing its general obligation full faith and credit bonds. At the time of such issuance, the City would be required to certify a series of annual general property tax levies equal to the scheduled debt service. These levies could only be reduced or cancelled based on actual receipt of sales tax revenues. Since the City cannot pledge the sales tax revenues to the payment of that debt, bond rating agencies will include that debt in the City's general obligation debt ratios, which in our opinion could jeopardize the City's current "AA" rating from Moody's Investors Service. The reduction of that rating would increase debt service requirements for other projects which must be undertaken and financed by the City with general obligation bonds to be paid by property tax levies.

4. If the City could pledge 50% of its current sales tax revenue to long-term debt, it is our opinion the City could issue an estimated $125 - $150 million of revenue bonds to be repaid over a 15 to 20-year term. Issuance of this level of bonds over one or more years, in our opinion, could be accomplished without risk to the City's general obligation credit rating, and would permit the City to undertake significant improvements in its capital improvement program. Several benefits would accrue to such a program.

   a) The City would avoid future increases in construction costs.

   b) It would permit the City to enjoy economies of scale in its construction unit prices by undertaking larger, more comprehensive projects.

   c) Wichita residents and visitors could begin enjoying use of the improvements now rather than many years in the future.

   d) Construction projects of this scope would provide a significant stimulus to both Wichita and Kansas economy.

   e) The total bonds to be issued could be kept at a manageable level since any increases in total debt would require like increases in the total local sales tax revenues.

We believe passage of this legislation would provide another important local financing tool for Kansas communities to deal with local problems. Since this body has had the foresight to make this revenue option available to Kansas communities, we believe the authorization to pledge those revenues to the payment of bonds represents a logical extension of this authority.

/dlr

EXECUTIVE CHAMBER
ONE CIVIC CENTER PLAZA

CITY OF KANSAS CITY, KANSAS

DAVID T. ISABELL
City Administrator/Finance Director

KANSAS CITY, KANSAS 66101
PHONE (913) 573-5030

March 16, 1987

Representative Edward C. Rolfs
Chairman
House Committee on Taxation
State House
Topeka, Kansas 66612

Dear Representative Rolfs:

Please add our City's name to the list of those supporting H.B. 2509 allowing for sales tax revenue bonds. This is a change in state statute which is long overdue. It would give local units of government one more innovative financing tool with which to work.

As you may know, sales tax revenue bonds are an accepted form of municipal financing in several states around the country and are considered a basic government revenue source. Currently, the differential between a general obligation bond issue and a sales tax revenue bond issue is about 1/4 to 1/2 of 1%. This makes sales tax revenue bonds an attractive and low cost method of local financing, and an acceptable alternative to a property tax based financing system.

The City of Kansas City, Kansas supports H.B. 2509 and we ask that your committee report it favorably to the full House.

Sincerely,

David T. Isabell

David T. Isabell
City Administrator

Attachment 5

JOAN WAGNON
REPRESENTATIVE, FIFTY-FIFTH DISTRICT
1606 BOSWELL
TOPEKA, KANSAS 66604

STATE OF KANSAS

TOPEKA

HOUSE OF REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER: ASSESSMENT AND TAXATION
JUDICIARY
LEGISLATIVE, JUDICIAL AND CONGRESSIONAL APPORTIONMENT
PUBLIC HEALTH AND WELFARE

March 18, 1987

The subcommittee to examine sales tax exemptions reviewed 79-3606 as well as the work of previous interim committees and tax commissions regargding the sales tax.

Sales tax exemptions fall into four categories:

Conceptual--designed to make the sales tax a retail tax and prevent it from becoming a value added tax by exempting wholesale purchases, goods consumed in production, etc.

Legal--granted because of legal limits on the state's taxing authority. Interstate telephone calls are in this category.

Administrative--granted because it simplifies the administration of the tax. (Why tax it if you can't collect it.) Includes garage sales and other isolated or occasional sales.

Policy--granted as a matter of public policy because the legislature believes it would make the tax more equitable and because some public purpose is accomplished. Most exemptions fall in this category and most of the subcommittee's time was spent discussing these kinds of exemptions.

The subcommittee notes that interstate telephone calls have been exempted previously because it was felt that insufficient nexus existed and interstate commerce was involved. However, two court cases (Florida, Wisconsin) have held that sufficient nexus for taxation exists if the calls are billed to an in-state address, so the subcommittee concluded that a legal exemption for interstate telephone calls is no longer necessary.

All requests for sales tax exemptions which were introduced this session fall under the policy category and were evaluated by comparing them to existing policy and practice as well as by assessing what public purpose would be served by granting the exemption.

POLICY EXEMPTIONS UNDER CONSIDERATION/RATIONALE/RECOMMENDATIONS

79-3606(c) Educational Institutions

The Revenue Departmemt has interpreted this secion to apply only to public or private, non-profit schools or institutions having a formal educational program. The result is that organizations offering informal, educational activities have lost

attach. 6

the exemption some have previously enjoyed. Buildings for human habitation (dorms, etc.) are not included.

HB 2003	Adds public radio/television
HB 2117	Adds new section for nonprofit museum or historical society
HB 2263	Adds community Mental Retardation facilities (their school-type programs are currently exempt; their residential facilities are not. Mental Health centers also want an exemption because of their educational activities.

The subcommittee had great difficulty establishing criteria which would distinguish between the many community organizations which offer informal educational activities to the community. Without exempting all 501(c)3 non-profit organizations it would be difficult to include some, but not others. The legislature previously exempted all such organizations, but at the recommendation of the Joint Committee on State Tax Structure (Hodge Commission), that exemption was removed in 1969 [at a savings of 697,000].

Language has been drafted which would continue the exemption which many youth agencies such as scout councils have enjoyed under the educational exemption. Daycare centers and preschools will continue to be exempt under 3606(c) because they provide early childhood education.

79-3606(b) Hospital or Health related activities

HB 2165	Adds tissue and organ banks to blood banks
HB 2274	Adds adult care homes(non-profit) to hospitals

The public hospitals are sales tax exempt because they are operated with public money. Private, non-profit hospitals were added in 1969 so that health care costs in these would not rise above public hospitals. With changes in the way health care is being delivered today, the subcommittee felt there was justification for extending the exemption to intermediate and skilled nursing homes (non-profit) for medical services only, but not for those expenditures which provide room/board and living space to residents.

The subcommittee also recommended expanding the exemption for blood banks to include tissue and organ banks.

3606(ee) Economic Development

HB 2212	Clarifies a previous policy decision to exempt purchases of machinery and equipment in a facility in an enterprise zone.
HB 2301	Exempts all purchases of machinery and equipment.

The committee wished to clarify a previous action regarding machinery in enterprise zones, but did not wish to expand that exemption since insufficient evidence exists that it is a true economic incentive.

Other Exemptions:

HB 2213 Wic food vouchers

This is another legal exemption required by the federal government.

HB 2545 Include feed lots in definition of farming and ranching so they can enjoy the previously granted exemption for used farm machinery and equipment. Revenue recently reversed their exemption. The committee recommends reversing their decision.

SB 309 Mobile Homes, exempting a portion of new sales.

The committee notes that other housing is not subject to sales tax and this exemption is equitable.

HB 2003 Adds public radio/TV

Proposed Amendment to SB 309, As Amended by Senate Committee

On page 1, after line 21, by inserting a new section to read as follows:

"Section 1. K.S.A. 1986 Supp. 79-3603 is hereby amended to read as follows: 79-3603. For the privilege of engaging in the business of selling tangible personal property at retail in this state or rendering or furnishing any of the services taxable under this act, there is hereby levied and there shall be collected and paid a tax as follows:

(a) A tax at the rate of 4% upon the gross receipts received from the sale of tangible personal property at retail within this state~~,--If-any-contractor-has-entered-into-a-written binding-contract-prior-to-May-15,--1986,--for--the--construction, reconstruction,-repair,-equipment-or-improvement-of-any-building, airport,--highway,--street,--road,--alley,--sewer,-sewage-system, water-line,-water-system--or--any--other--improvement,--and--such contract--and--the--contract-price-includes-the-furnishing-by-the contractor-of-tangible--personal--property--subject--to--the--tax imposed--by-this-act-and-which-is-to-become-part-of-the-completed improvement,-such-tax-shall-be-imposed-at-the-rate-prescribed--by law-immediately-prior-to-the-effective-date-of-this-act,-but-this provision-shall-not-apply-unless-the-contractor-shall-give-notice and--proof--of--such--contract--to-the-director-of-taxation-on-or before-July-10,-1986,-which-notice-and-proof--shall--be--in--such form--and--of--such-sufficiency-as-the-director-of-taxation-shall prescribe~~;

(b) a tax at the rate of 4% upon the gross receipts from ~~intrastate~~ telephone or telegraph services, which sale is not otherwise exempt from taxation under the provisions of this act;

(c) a tax at the rate of 4% upon the gross receipts from the sale or furnishing of gas, water, electricity and heat, which sale is not otherwise exempt from taxation under the provisions of this act, and whether furnished by municipally or privately owned utilities;

(d) a tax at the rate of 4% upon the gross receipts from the sale of meals or drinks furnished at any private club or at any restaurant, eating house, dining car, hotel, drugstore or other place where meals or drinks are regularly sold to the public;

(e) a tax at the rate of 4% upon the gross receipts from the sale of admissions to any place providing amusement, entertainment or recreation services including admissions to state, county, district and local fairs, but such tax shall not be levied and collected upon the gross receipts received from fees and charges by political subdivisions of the state of Kansas for participation in sports, games and other recreational activities;

(f) a tax at the rate of 4% upon the gross receipts from the operation of any coin-operated device dispensing or providing tangible personal property, amusement or other services except laundry services, whether automatic or manually operated;

(g) a tax at the rate of 4% upon the gross receipts from the service of renting of rooms by hotels, as defined by K.S.A. 36-501, and amendments thereto, except such tax shall not apply where a room is rented by an individual, firm, association or corporation for a period of more than 28 consecutive days;

(h) a tax at the rate of 4% upon the gross receipts from the service of renting or leasing of tangible personal property except such tax shall not apply to the renting or leasing of machinery, equipment or other personal property owned by a city and purchased from the proceeds of industrial revenue bonds issued prior to July 1, 1973, in accordance with the provisions of K.S.A. 12-1740 to 12-1749, inclusive, and acts amendatory thereto, and any city or lessee renting or leasing such machinery, equipment or other personal property purchased with the proceeds of such bonds who shall have paid a tax under the provisions of this section upon sales made prior to July 1, 1973, shall be entitled to a refund out of the sales tax refund fund of all taxes paid thereon;

(i) a tax at the rate of 4% upon the gross receipts from the rendering of dry cleaning, pressing, dyeing and laundry services except laundry services rendered through a coin-operated device whether automatic or manually operated;

(j) a tax at the rate of 4% upon the gross receipts from the rendering of the services of washing and washing and waxing of vehicles;

(k) a tax at the rate of 4% upon the gross receipts from cable, community antennae and other subscriber radio and television services;

(l) a tax at the rate of 4% upon the gross receipts received from the sales of tangible personal property to all contractors, subcontractors or repairmen of materials and supplies for use by them in erecting structures for others, or building on, or otherwise improving, altering, or repairing real or personal property of others;

(m) a tax at the rate of 4% upon the gross receipts received from fees and charges by public and private clubs, organizations and businesses for participation in sports, games and other recreational activities;

(n) a tax at the rate of 4% upon the gross receipts received from dues charged by public and private clubs, organizations and businesses, payment of which entitles a member to the use of facilities for recreation or entertainment;

(o) a tax at the rate of 4% upon the gross receipts received from the isolated or occasional sale of motor vehicles or trailers but not including the transfer of motor vehicles or trailers by a person to a corporation solely in exchange for stock or securities in such corporation or the transfer of motor vehicles or trailers by one corporation to another when all of the assets of such corporation are transferred to such other corporation. In determining the base for computing the tax on such isolated or occasional sale, the fair market value of any motor vehicle or trailer traded in by the purchaser to the seller may be deducted from the selling price;

(p) a tax at the rate of 4% upon the gross receipts received for the service of installing or applying tangible personal property which when installed or applied is not being held for sale in the regular course of business, and whether or not such tangible personal property when installed or applied remains tangible personal property or becomes a part of real estate, except that no tax shall be imposed upon the service of installing or applying tangible personal property in connection with the original construction of a building or facility or the construction, reconstruction, restoration, replacement or repair of a bridge or highway.

For the purposes of this subsection:

(1) "Original construction" shall mean the first or initial construction of a new building or facility. The term "original construction" shall include the addition of an entire room or floor to any existing building or facility, the completion of any unfinished portion of any existing building or facility and the restoration, reconstruction or replacement of a building or facility damaged or destroyed by fire, flood, windstorm, hailstorm, rainstorm, snowstorm, lightning, explosion or earthquake, but such term shall not include replacement, remodeling, restoration, renovation or reconstruction under any other circumstances;

(2) "building" shall mean only those enclosures within which individuals customarily live or are employed, or which are customarily used to house machinery, equipment or other property, and including the land improvements immediately surrounding such building; and

(3) "facility" shall mean a mill, plant, refinery, oil or gas well, water well, feed lot or any conveyance, transmission or distribution line of any cooperative, nonprofit, membership corporation organized under or subject to the provisions of K.S.A. 17-4601 <u>et seq.</u> or of any municipal or quasi-municipal corporation, including the land improvements immediately

surrounding such facility;

(q) a tax at the rate of 4% upon the gross receipts received for the service of repairing, servicing, altering or maintaining tangible personal property which when such services are rendered is not being held for sale in the regular course of business, and whether or not any tangible personal property is transferred in connection therewith. The tax imposed by this subsection shall be applicable to the services of repairing, servicing, altering or maintaining an item of tangible personal property which has been and is fastened to, connected with or built into real property;

(r) a tax at the rate of 4% upon the gross receipts from fees or charges made under service or maintenance agreement contracts for services, charges for the providing of which are, taxable under the provisions of subsection (p) or (q) of this section;

(s) a tax at the rate of 4% upon the gross receipts received from the sale of computer software. As used in this subsection, "computer software" means information and directions loaded into a computer which dictate different functions to be performed by the computer, whether contained on tapes, discs, cards or other devices or materials.";

Also, on page 1, in line 22, by striking "Section 1" and inserting "Sec. 2"; in line 39, after "blood" by inserting ", tissue or organ"; in line 40, after "blood" by inserting ", tissue or organ";

On page 7, in line 255, before the semicolon by inserting ". As used in this subsection, farming or ranching shall include the operation of a feedlot";

On page 8, in line 278, by striking "noncommercial intrastate"; in line 279, before the semicolon by inserting ", including interstate long distance telephone service which originates from and is charged to a telephone located in this state";

On page 9, in line 307, by striking "and in"; in line 308, by striking all before "such" and inserting "for installation at"; in line 332, by striking "on and after October 1, 1986,"; in line 334, by striking "and"; in line 335, by striking "on and after January 1, 1988,"; in line 340, by striking the period and inserting a semicolon; after line 340, by inserting the following:

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

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

(jj) all sales of tangible personal property purchased directly by a nonprofit organization for nonsectarian comprehensive multidiscipline youth development programs and activities provided or sponsored by such organization. This exemption shall not apply to tangible personal property customarily used for human habitation purposes.";

"Sec. 3. K.S.A. 12-190 is hereby amended to read as follows: 12-190. All sales of farm machinery and equipment, repair and replacement parts therefor and services performed in the repair and maintenance of such machinery and equipment and all sales of machinery and equipment for use in manufacturing plants located in the state of Kansas and used in the process of manufacturing personal property the sale of which will be subject to taxation under the Kansas retailers' sales tax act, shall be exempt from taxes in any county in which the same were exempt on June 30, 1978, and taxes hereafter initiated by counties and class B cities under the provisions of this act. Each purchaser of farm machinery and each purchaser of manufacturing machinery and equipment exempted herein from the imposition of local sales taxes must certify in writing on the copy of the invoice or sales ticket to be retained by the seller that ~~he-or-she~~ such purchaser is engaged in farming or ranching or manufacturing and that the farm machinery or manufacturing machinery and equipment will be used only in farming or ranching or manufacturing as the case may be. As used in this section, farming or ranching shall include the operation of a feedlot.";

By renumbering existing sections 2 and 3 as sections 4 and 5, respectively;

Also, on page 9, in line 341, by striking "1986 Supp. 79-3606 is" and inserting "12-190 and K.S.A. 1986 Supp. 79-3603 and 79-3606 are";

In the title, in line 18, by striking all after the semicolon; in line 19, by striking all before the semicolon and inserting "concerning the taxation and exemption of certain tangible personal property and services"; also, in line 19, by striking "1986 Supp" and inserting "12-190 and K.S.A. 1986 Supp. 79-3603 and"; in line 20, by striking "section" and inserting "sections"