

Approved March 15, 1988  
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Phil Kline at  
Chairperson

3:39 ~~XXX~~ a.m./p.m. on Thursday, March 3, 1988 in room 423-S of the Capitol.

All members were present except: Representatives Mainey and Barkis. - Excused.

Committee staff present:

Jim Wilson, Revisor  
Lynn Holt, Research  
Elaine Johnson, Secretary

Conferees appearing before the committee:

None

Chairman Kline called the meeting to order and recognized Jim Wilson.

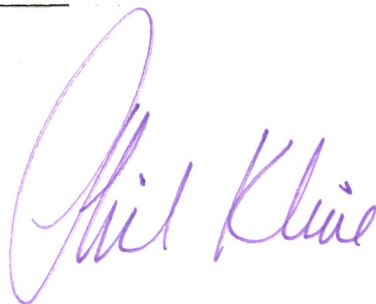
Jim Wilson explained the amendments to S.B. 472 that will be offered on the floor. (Attachment 1).

Jim Wilson proceeded by pointing out the amendments to H.B. 2515 (Attachment 2) to the committee. After discussion of the amendments Representative Chronister moved to accept the amendments, and Representative Aylward seconded. Motion carried.

Jim Wilson then explained the amendments to H.B. 3070 (Attachment 3) and the need for these amendments and the new section 7. After discussion of the amendments Representative Leach moved to accept the amendments, and Representative Chronister seconded. Motion carried.

Representative Leach moved to pass H.B. 3070 as amended, Representative Teagarden seconded. Motion carried.

Meeting adjourned at 4:33 p.m.



## STATE OF KANSAS

## HOUSE OF REPRESENTATIVES

MR. CHAIRMAN:

I move to amend SENATE BILL NO. 472, As Amended by Senate Committee, On page 1, in line 23, by striking "this act" and inserting in lieu thereof "sections 1 through 9";

On page 2, in line 58, by striking "this act" and inserting in lieu thereof "sections 1 through 9"; in line 67, by striking "this act" and inserting in lieu thereof "sections 1 through 9";

On page 3, in line 83, by striking "this act" and inserting in lieu thereof "sections 1 through 9"; in line 86, by striking "this act" and inserting in lieu thereof "sections 1 through 9"; in line 111, by striking "Except for"; by striking all in lines 112, 113 and 114; in line 115, by striking "lature."; in line 119, by striking "this";

On page 4, in line 120, by striking "act" and inserting in lieu thereof "sections 1 through 9"; in line 133, by striking "this act" and inserting in lieu thereof "sections 1 through 9"; in line 141, by striking "this act" and inserting in lieu thereof "sections 1 through 9";

On page 5, in line 179, by striking "this act" and inserting in lieu thereof "sections 1 through 9";

On page 6, in line 201, by striking "this act" and inserting in lieu thereof "sections 1 through 9"; in line 203, by striking "this act" and inserting in lieu thereof "such statutes"; in line 215, by striking "this act" and inserting in lieu thereof "sections 1 through 9"; in line 223, by striking "this act" and inserting in lieu thereof "sections 1 through 9";

On page 7, in line 243, by striking the comma; in line 248, by striking the comma; in line 249, by striking "this"; in line 250, by striking "act" and inserting in lieu thereof "sections 1 through 9"; in line 254, by striking "this act" and inserting in lieu thereof "sections 1 through 9"; in line 257, by striking "this act" and inserting in lieu thereof "sections 1 through 9"; following line 264, by inserting the following sections to read

*House Eco Dev  
Attachment 1  
3/3/88*

as follows:

"Sec. 9. The activities of the department of health and environment in administering and performing the powers, duties and functions prescribed by the provisions of sections 1 through 9 and providing for the payment of the matching grant requirements under the federal act from the proceeds of revenue bonds issued for such purpose by the Kansas development finance authority are hereby approved for the purposes of subsection (b) of K.S.A. 1987 Supp. 74-8905 and amendments thereto and the authorization of the issuance of such bonds by the Kansas development finance authority in accordance with that statute. The provisions of subsection (a) of K.S.A. 1987 Supp. 74-8905 and amendments thereto shall not prohibit the issuance of bonds for such purposes when so authorized and any such issuance of bonds is exempt from the provisions of subsection (a) of K.S.A. 1987 Supp. 74-8905 and amendments thereto.

Sec. 10. K.S.A. 1987 Supp. 74-8905 is hereby amended to read as follows: 74-8905. (a) The authority is hereby authorized and empowered to issue bonds, either for a specific activity or on a pooled basis for a series of related or unrelated activities or projects duly authorized by a political subdivision or group of political subdivisions of the state in such amounts as shall be determined by the authority for the purpose of financing capital improvement facilities, educational facilities, health care facilities and housing developments. Nothing in this act shall be construed to authorize the authority to issue bonds or use the proceeds thereof to (1) purchase, condemn, or otherwise acquire a utility plant or distribution system owned or operated by a regulated public utility or (2) finance any capital improvement facilities, educational facilities, or health care facilities which are authorized under the laws of the state to be financed by the issuance of general obligation or utility revenue bonds of a political subdivision, except that the acquisition by the authority of general obligation or utility revenue bonds issued by political subdivisions with the proceeds of pooled bonds shall not violate the provisions of the foregoing. Nothing in this

subsection (a) shall prohibit the issuance of bonds by the authority when any statute specifically authorizes the issuance of bonds by the authority or approves any activity or project of a state agency for purposes of authorizing any such issuance of bonds in accordance with this section and provides an exemption from the provisions of this subsection (a).

(b) The authority is hereby authorized and empowered to issue bonds for activities and projects of state agencies as requested by the secretary of administration. No bonds may be issued pursuant to this act for any activity or project of a state agency unless the activity or project either has been approved by an appropriation or other act of the legislature or has been approved by the state finance council acting on this matter which is hereby characterized as a matter of legislative delegation and subject to the guidelines prescribed in subsection (c) of K.S.A. 75-3711c and amendments thereto. When requested to do so by the secretary of administration, the authority is further authorized and empowered to issue bonds for the purpose of refunding, whether at maturity or in advance of maturity, any outstanding bonded indebtedness of any state agency. The revenues of any state agency which are pledged as security for any bonds of such state agency which are refunded by refunding bonds of the authority may be pledged to the authority as security for the refunding bonds.

(c) The authority is hereby authorized and empowered to issue bonds for the purpose of financing industrial enterprises, agricultural business enterprises, educational facilities, health care facilities and housing developments, or any combination of such facilities, or any interest in facilities, including without limitation leasehold interests in and mortgages on such facilities. No less than 30 days prior to the issuance of any bonds authorized under this act with respect to any project or activity which is to be undertaken for the direct benefit of any person or entity which is not a state agency or a political subdivision, written notice of the intention of the authority to provide financing and issue bonds therefor shall be given by the

president of the authority to the governing body of the city in which the project or activity is to be located, or, if the project or activity is not proposed to be located within a city, such notice shall be given to the governing body of the county. No bonds for the financing of the project or activity shall be issued by the authority for a one-year period if, within 15 days after the giving of such notice, the governing body of the political subdivision in which the project or activity is proposed to be located shall have duly enacted an ordinance or resolution stating express disapproval of the project or activity and shall have notified the president of the authority of such disapproval.

(d) The authority is hereby authorized and empowered to issue bonds for the purpose of establishing and funding one or more series of venture capital funds in such principal amounts, at such interest rates, in such maturities, with such security, and upon such other terms and in such manner as is approved by resolution of the authority. The proceeds of such bonds not placed in a venture capital fund or used to pay or reimburse organizational, offering and administrative expenses and fees necessary to the issuance and sale of such bonds shall be invested and reinvested in such securities and other instruments as shall be provided in the resolution under which such bonds are issued. Moneys in a venture capital fund shall be used to make venture capital investments in new, expanding or developing businesses, including, but not limited to, equity and debt securities, warrants, options and other rights to acquire such securities, subject to the provisions of the resolution of the authority. The authority shall establish an investment policy with respect to the investment of the funds in a venture capital fund not inconsistent with the purposes of this act. The authority shall enter into an agreement with a management company experienced in venture capital investments to manage and administer each venture capital fund upon terms not inconsistent with the purposes of this act and such investment policy. The authority may establish an advisory board to provide advice and

consulting assistance to the authority and the management company with respect to the management and administration of each venture capital fund and the establishment of its investment policy. All fees and expenses incurred in the management and administration of a venture capital fund not paid or reimbursed out of the proceeds of the bonds issued by the authority shall be paid or reimbursed out of such venture capital fund.

(e) The authority is hereby authorized and empowered to use the proceeds of any bond issues herein authorized, together with any other available funds, for venture capital investments or for purchasing, leasing, constructing, restoring, renovating, altering or repairing facilities as herein authorized, for making loans, purchasing mortgages or security interests in loan participations and paying all incidental expenses therewith, paying expenses of authorizing and issuing the bonds, paying interest on the bonds until revenues thereof are available in sufficient amounts, purchasing bond insurance or other credit enhancements on the bonds, and funding such reserves as the authority deems necessary and desirable. All moneys received by the authority, other than moneys received by virtue of an appropriation, are hereby specifically declared to be cash funds, restricted in their use and to be used solely as provided herein. No moneys of the authority other than moneys received by appropriation shall be deposited with the state treasurer.

Sec. 11. K.S.A. 1987 Supp. 74-8905 is hereby repealed.";

And by renumbering original section 9 as section 12;

On page 1, in the title, in line 21, after "environment" by inserting the following: "; amending K.S.A. 1987 Supp. 74-8905 and repealing the existing section"

---

\_\_\_\_\_ District.

# HOUSE BILL No. 2515

By Legislative Commission on Kansas Economic Development

2-25

DRAFT OF AMENDMENTS  
For Consideration by House Economic Development  
(3-2-88)

Staff (Technical)

Joint Comm. on  
Economic Dev.

Dept. of Commerce

0017 AN ACT providing for a Kansas industrial training program and a  
0018 Kansas industrial retraining program.

concerning economic  
development; relating  
to employee training  
and retraining;

0019 Be it enacted by the Legislature of the State of Kansas:

0020 Section 1. As used in this act:

0021 (a) "Kansas industrial training program" or "KIT program"  
0022 means a program under which the secretary provides for train-  
0023 ing, customized to meet the specifications of a new or expanding  
0024 industry, of new employees or prospective employees, or both,  
0025 of the industry.

; prescribing certain  
powers, duties and  
functions

0026 (b) "Kansas industrial retraining program" or "KIR program"  
0027 means a program under which the secretary provides for re-  
0028 training, customized to meet the specifications of a restructuring  
0029 industry, of employees of the industry.

0030 (c) "New or expanding industry" means an industry which is  
0031 locating or is newly located in Kansas or an existing industry  
0032 which is located in Kansas and is expanding its operations.

0033 (d) "Training" means [on-the-job] training of employees or  
0034 preemployment training of prospective employees for jobs  
0035 newly created by a new or expanding industry.

delete "on the  
job"

work force

0036 (e) "Restructuring industry" means an existing industry  
0037 which is located in Kansas and is restructuring its operations  
0038 through incorporation of existing technology [or through] devel-  
0039 opment and incorporation of new technology.

,  
, diversification of  
production or develop-  
ment and implementation  
of new production

0040 (f) "Retraining" means [on-the-job] retraining of employees of  
0041 a restructuring industry who are likely to be displaced because of  
0042 obsolete or inadequate job skills and knowledge.

delete "on the job"

0043 (g) "Job training agency" means any public or private edu-  
0044 cational or job training institution and any other public or private  
0045 entity which is qualified to provide the training or retraining

House Eco Dev  
Attachment 2  
3/3/88

Staff (Technical)

Joint Comm. on  
Economic Dev.

Dept of Commerce

a-2-2  
3/3/88

0046 required under the KIT and KIR programs.

0047 (h) "Secretary" means the secretary of commerce.

0048 Sec. 2. (a) The secretary shall administer the KIT program

0049 and the KIR program and shall:

0050 (1) ~~Solicit~~ proposals from industries and job training agencies

0051 ~~and enter into contractual agreements on the basis of the pro-~~

0052 ~~posals.~~

0053 (2) publicize the programs and the procedures for making

0054 and submitting proposals for participation therein;

0055 (3) establish standards and criteria for consideration of pro-

0056 posals and for assigning priorities among industries making

0057 proposals;

0058 (4) ensure the provision of adequate fiscal and accounting

0059 controls under the programs;

0060 (5) allocate and distribute funds made available for adminis-

0061 tration of the programs;

0062 (6) evaluate the programs each year and make a report on the

0063 performance and cost effectiveness thereof to the governor and

0064 the legislature; and

0065 (7) adopt rules and regulations necessary for administration

0066 of the programs.

0067 (b) Contractual agreements entered into by the secretary

0068 with any industry or job training agency for participation in the

0069 programs ~~shall~~ be in the form of fixed-fee performance contracts.

0070 Training services under the KIT program may be provided at no

0071 cost to the industry or on a shared-cost basis with the industry as

0072 determined through negotiation between the secretary and the

0073 industry. Retraining services under the KIR program shall be

0074 provided on a shared cost basis. ~~The state share of the cost for~~

0075 ~~retraining services provided under the KIR program shall be~~

0076 ~~paid from the Kansas industrial retraining fund.]~~ All expenditures

0077 for the payment of costs under the KIT and KIR programs shall

0078 be made in accordance with appropriation acts upon warrants of

0079 the director of accounts and reports issued pursuant to vouchers

0080 approved by the secretary or by a person or persons designated

0081 by the secretary. Notwithstanding any provision of law to the

0082 contrary, contractual agreements entered into under the KIT ~~and~~

Consider

for training or re-  
training services  
under the programs

may be

and such agreements  
may

delete

delete



a-2-3  
3/3/88

0083 KIR programs shall not be subject to competitive bidding pro-  
0084 cedures.

program or the KIR program

0085 (c) Within the limitation of funds available for the KIT and  
0086 KIR programs the secretary shall make participation in the  
0087 programs reasonably available to all industries which submit  
0088 proposals therefor, but shall give priority to primary industries

of K.S.A. 75-3739 and  
amendments thereto

and to the extent  
practicable

0089 Sec. 3. (a) Any job training agency may make and submit to  
0090 the secretary proposals for participation in the KIT and KIR  
0091 programs and may enter into contractual agreements with the  
0092 secretary for the provision of training or retraining services  
0093 under such programs.

to participate therein,  
if consistent with pro-  
gram goals and objec-  
tives and the alloca-  
tion of resources for  
the programs. Goals  
and objectives for the  
KIT and KIR programs  
shall include appro-  
priate priorities for  
basic industries

0094 (b) Contractual agreements shall be entered into with job  
0095 training agencies only if the agencies can demonstrate a satis-  
0096 factory record of performance in placement in and retention of  
0097 employment by former trainees and that training provided by the  
0098 agencies prepares trainees in a manner satisfactory to employers.

0099 (c) Training and retraining services provided by job training  
0100 agencies under the KIT and KIR programs are not subject to  
0101 approval procedures or performance standards required under  
0102 state law for regular training and retraining programs operated  
0103 by such agencies. Service delivery area restrictions imposed  
0104 upon the operation of regular training or retraining programs by  
0105 job training agencies do not apply to training and retraining  
0106 services provided by such agencies under the KIT and KIR  
0107 programs.

The secretary may pre-  
scribe appropriate per-  
formance criteria and  
qualifications and  
other standards for job  
training agencies under  
the KIT program or the  
KIR program, or both,  
for purposes of this  
act.

0108 Sec. 4. The state board of education and the secretary of  
0109 human resources shall cooperate with and assist the secretary in  
0110 publicizing the KIT and KIR programs, in designing the pro-  
0111 grams to meet the specific and individualized needs of industry  
0112 and by offering such technical advice as the secretary may  
0113 request.

, the state board  
of regents

0114 Sec. 5. This act shall take effect and be in force from and  
0115 after its publication in the statute book.

HOUSE BILL No. 3070

By Committee on Economic Development

2-24

0017 AN ACT concerning economic development; amending the job  
0018 expansion and investment credit act of 1976; providing for  
0019 credits against certain taxes imposed on insurance companies  
0020 or banks and savings and loan associations; amending K.S.A.  
0021 79-32,158 and K.S.A. 1987 Supp. 79-32,153, 79-32,154, 79-  
0022 32,155, 79-32,156 ~~and~~ 79-32,157 and repealing the existing  
0023 sections.

and 79-3606

,

0024 *Be it enacted by the Legislature of the State of Kansas:*

0025 Section 1. K.S.A. 1987 Supp. 79-32,153 is hereby amended to  
0026 read as follows: 79-32,153. (a) (1) Any taxpayer under the Kansas  
0027 income tax act who ~~shall invest~~ invests in a qualified business  
0028 facility, as defined in subsection (b) of K.S.A. 79-32,154; and  
0029 amendments thereto, shall be allowed a credit for such invest-  
0030 ment; in an amount determined under subsection ~~(b) or (c)~~ (a)(2)  
0031 or (a)(3), as the case requires, against the tax imposed by the  
0032 Kansas income tax act for the taxable year during which com-  
0033 mencement of commercial operations, as defined in subsection  
0034 (f) of K.S.A. 79-32,154; and amendments thereto, occurs at such  
0035 qualified business facility; and for each of the nine succeeding  
0036 taxable years. No credit shall be allowed under this ~~section~~  
0037 subsection (a) unless the number of qualified business facility  
0038 employees, as determined under subsection (d) of K.S.A. 79-  
0039 32,154; and amendments thereto, engaged or maintained in  
0040 employment at the qualified business facility as a direct result of  
0041 the investment by the taxpayer for the taxable year for which the  
0042 credit is claimed equals or exceeds two.

0043 ~~(b)~~ (2) The credit allowed by subsection (a)(1) for any tax-  
0044 payer who invests in a qualified business facility located outside  
0045 an enterprise zone on or after the effective date of this act shall  
0046 be a portion of the income tax, but not in excess of 50% of such

House Eco Dev  
Attachment 3  
3/3/88

0047 tax, otherwise imposed by the Kansas income tax act on the  
0048 taxpayer's qualified business facility income, as defined *with*  
0049 *regard to such credit* in subsection (g) of K.S.A. 79-32,154, and  
0050 amendments thereto, for the taxable year for which such credit is  
0051 allowed. Such portion shall be an amount equal to the sum of the  
0052 following:

0053 ~~(1)~~ (A) One hundred dollars for each qualified business fa-  
0054 cility employee determined under K.S.A. 79-32,154, and  
0055 amendments thereto; plus

0056 ~~(2)~~ (B) one hundred dollars for each \$100,000, or major frac-  
0057 tion thereof (which shall be deemed to be 51% or more), in  
0058 qualified business facility investment as determined under  
0059 K.S.A. 79-32,154, and amendments thereto.

0060 ~~(e)~~ (3) The credit allowed by subsection (a)(1) for any tax-  
0061 payer who invests in a qualified business facility within an  
0062 enterprise zone on or after the effective date of this act shall be a  
0063 portion of the income tax, but not in excess of 50% of such tax,  
0064 otherwise imposed by the Kansas income tax act on the tax-  
0065 payer's qualified business facility income, as defined *with re-*  
0066 *gard to such credit* in subsection (g) of K.S.A. 79-32,154, and  
0067 amendments thereto, for the taxable year for which such credit is  
0068 allowed. Such portion shall be an amount equal to the sum of the  
0069 following:

0070 ~~(1)~~ (A) Three hundred and fifty dollars for each qualified  
0071 business facility employee as determined under K.S.A. 79-  
0072 32,154, and amendments thereto, who resides in this state, other  
0073 than a qualified business facility employee referred to in para-  
0074 graph ~~(2)~~ (B) of this subsection ~~(e)~~ (a)(3);

0075 ~~(2)~~ (B) five hundred dollars for each qualified business facil-  
0076 ity employee as determined under K.S.A. 79-32,154, and  
0077 amendments thereto, who resides in this state and whose em-  
0078 ployment entitles the employer to a targeted jobs tax credit  
0079 under sections 51 and 52 of the *federal* internal revenue code of  
0080 1986 in the same taxable year; plus

0081 ~~(3)~~ (C) three hundred fifty dollars for each \$100,000, or major  
0082 fraction thereof (which shall be deemed to be 51% or more), in  
0083 qualified business facility investment as determined under

9-3-2  
3/3/88

0084 K.S.A. 79-32,154, and amendments thereto.

0085 (b) (1) Any taxpayer which is an insurance company which  
 0086 invests in a qualified business facility, as defined in subsection  
 0087 (b) of K.S.A. 79-32,154 and amendments thereto, shall be al-  
 0088 lowed a credit for such investment, in an amount determined  
 0089 under subsection (b)(2) or (b)(3), as the case requires, against a  
 0090 tax imposed by K.S.A. 40-252 and amendments thereto for the  
 0091 taxable year during which commencement of commercial  
 0092 operations, as defined in subsection (f) of K.S.A. 79-32,154 and  
 0093 amendments thereto, occurs at such qualified business facility  
 0094 and for each of the nine succeeding taxable years. No credit  
 0095 shall be allowed under this subsection (b) unless the number of  
 0096 qualified business facility employees, as determined under sub-  
 0097 section (d) of K.S.A. 79-32,154 and amendments thereto, en-  
 0098 gaged or maintained in employment at the qualified business  
 0099 facility as a direct result of the investment by the taxpayer for  
 0100 the taxable year for which the credit is claimed equals or  
 0101 exceeds two.

0102 (2) The credit allowed by subsection (b)(1) for any taxpayer  
 0103 which is an insurance company which invests in a qualified  
 0104 business facility located outside an enterprise zone on or after  
 0105 the effective date of this act shall be a portion of the tax imposed  
 0106 by K.S.A. 40-252 and amendments thereto, but not in excess of  
 0107 50% of such tax, otherwise imposed by K.S.A. 40-252 and  
 0108 amendments thereto on the taxpayer's ~~qualified business facil-~~

0109 ~~ity income, as defined with regard to such credit in subsection~~  
 0110 ~~(g)~~ of K.S.A. 79-32,154 and amendments thereto, for the taxable  
 0111 year for which such credit is allowed. Such portion shall be an  
 0112 amount equal to the sum of the following:

0113 (A) One hundred dollars for each qualified business facility  
 0114 employee determined under K.S.A. 79-32,154 and amendments  
 0115 thereto; plus

0116 (B) one hundred dollars for each \$100,000, or major fraction  
 0117 thereof (which shall be deemed to be 51% or more), in qualified  
 0118 business facility investment as determined under K.S.A. 79-  
 0119 32,154 and amendments thereto.

0120 (3) The credit allowed by subsection (b)(1) for any taxpayer

adjusted Kansas taxable insurance premiums, as defined  
 in subsection (o)

9-3-3  
 3/3/88

0121 which is an insurance company which invests in a qualified  
 0122 business facility within an enterprise zone on or after the  
 0123 effective date of this act shall be a portion of the tax imposed by  
 0124 K.S.A. 40-252 and amendments thereto, but not in excess of 50%  
 0125 of such tax, otherwise imposed by K.S.A. 40-252 and amend-  
 0126 ments thereto on the taxpayer's ~~qualified business facility in-~~  
 0127 ~~come, as defined with regard to such credit in subsection (g) of~~  
 0128 K.S.A. 79-32,154 and amendments thereto, for the taxable year  
 0129 for which such credit is allowed. Such portion shall be an  
 0130 amount equal to the sum of the following:

0131 (A) Three hundred fifty dollars for each qualified business  
 0132 facility employee as determined under K.S.A. 79-32,154 and  
 0133 amendments thereto, who resides in this state, other than a  
 0134 qualified business facility employee referred to in paragraph (B)  
 0135 of this subsection (b)(3);

0136 (B) five hundred dollars for each qualified business facility  
 0137 employee as determined under K.S.A. 79-32,154 and amend-  
 0138 ments thereto, who resides in this state and whose employment  
 0139 entitles the employer to a targeted jobs tax credit under sections  
 0140 51 and 52 of the federal internal revenue code of 1986 in the  
 0141 same taxable year; plus

0142 (C) three hundred fifty dollars for each \$100,000, or major  
 0143 fraction thereof (which shall be deemed to be 51% or more), in  
 0144 qualified business facility investment as determined under  
 0145 K.S.A. 79-32,154 and amendments thereto.

0146 (c) (1) Any taxpayer which is a bank or savings and loan  
 0147 association which invests in a qualified business facility, as  
 0148 defined in subsection (b) of K.S.A. 79-32,154 and amendments  
 0149 thereto, shall be allowed a credit for such investment, in an  
 0150 amount determined under subsection (c)(2) or (c)(3), as the case  
 0151 requires, against the total of all taxes imposed by K.S.A. 79-1106  
 0152 through 79-1125 and amendments thereto for the taxable year  
 0153 during which commencement of commercial operations, as de-  
 0154 fined in subsection (f) of K.S.A. 79-32,154 and amendments  
 0155 thereto, occurs at such qualified business facility and for each of  
 0156 the nine succeeding taxable years. No credit shall be allowed  
 0157 under this subsection (c) unless the number of qualified busi-

adjusted Kansas taxable insurance premiums, as  
 defined in subsection (o)

9-3-4  
 3/3/88

0158 ness facility employees, as determined under subsection (d) of  
0159 K.S.A. 79-32,154 and amendments thereto, engaged or main-  
0160 tained in employment at the qualified business facility as a  
0161 direct result of the investment by the taxpayer for the taxable  
0162 year for which the credit is claimed equals or exceeds two.

0163 (2) The credit allowed by subsection (c)(1) for any taxpayer  
0164 which is a bank and savings and loan association which invests  
0165 in a qualified business facility located outside an enterprise  
0166 zone on or after the effective date of this act shall be a portion of  
0167 the total of all taxes imposed by K.S.A. 79-1106 through 79-1125  
0168 and amendments thereto, but not in excess of 50% of such taxes,  
0169 otherwise imposed by K.S.A. 79-1106 through 79-1125 and  
0170 amendments thereto on the taxpayer's qualified business facil-  
0171 ity income, as defined with regard to such credit in subsection  
0172 (g) of K.S.A. 79-32,154 and amendments thereto, for the taxable  
0173 year for which such credit is allowed. Such portion shall be an  
0174 amount equal to the sum of the following:

0175 (A) One hundred dollars for each qualified business facility  
0176 employee determined under K.S.A. 79-32,154 and amendments  
0177 thereto; plus

0178 (B) one hundred dollars for each \$100,000, or major fraction  
0179 thereof (which shall be deemed to be 51% or more), in qualified  
0180 business facility investment as determined under K.S.A. 79-  
0181 32,154 and amendments thereto.

0182 (3) The credit allowed by subsection (c)(1) for any taxpayer  
0183 which is a bank or savings and loan association which invests in  
0184 a qualified business facility within an enterprise zone on or  
0185 after the effective date of this act shall be a portion of the total  
0186 of all taxes imposed by K.S.A. 79-1106 through 79-1125 and  
0187 amendments thereto, but not in excess of 50% of such taxes,  
0188 otherwise imposed by K.S.A. 79-1106 through 79-1125 and  
0189 amendments thereto on the taxpayer's qualified business facil-  
0190 ity income, as defined with regard to such credit in subsection  
0191 (g) of K.S.A. 79-32,154 and amendments thereto, for the taxable  
0192 year for which such credit is allowed. Such portion shall be an  
0193 amount equal to the sum of the following:

0194 (A) Three hundred fifty dollars for each qualified business

0195 facility employee as determined under K.S.A. 79-32,154 and  
0196 amendments thereto, who resides in this state, other than a  
0197 qualified business facility employee referred to in paragraph (B)  
0198 of this subsection (c)(3);

0199 (B) five hundred dollars for each qualified business facility  
0200 employee as determined under K.S.A. 79-32,154 and amend-  
0201 ments thereto, who resides in this state and whose employment  
0202 entitles the employer to a targeted jobs tax credit under sections  
0203 51 and 52 of the federal internal revenue code of 1986 in the  
0204 same taxable year; plus

0205 (C) three hundred fifty dollars for each \$100,000, or major  
0206 fraction thereof (which shall be deemed to be 51% or more), in  
0207 qualified business facility investment as determined under  
0208 K.S.A. 79-32,154 and amendments thereto.

0209 (d) No credit shall be allowed under this section for invest-  
0210 ment in a public utility, as such term is defined in K.S.A. 66-104  
0211 and amendments thereto.

0212 Sec. 2. K.S.A. 1987 Supp. 79-32,154 is hereby amended to  
0213 read as follows: 79-32,154. As used in this act, the following  
0214 words and phrases shall have the meanings respectively ascribed  
0215 to them herein by this section:

0216 (a) "Facility" ~~shall mean~~ means any factory, mill, plant, re-  
0217 finery, warehouse, feed lot, building or complex of buildings  
0218 located within the state, including the land on which such  
0219 facility is located and all machinery, equipment and other real  
0220 and tangible personal property located at or within such facility  
0221 used in connection with the operation of such facility. The word  
0222 "building" ~~shall include~~ includes only structures within which  
0223 individuals are customarily employed or which are customarily  
0224 used to house machinery, equipment or other property.

0225 (b) "Qualified business facility" ~~shall mean~~ means a facility  
0226 which satisfies the requirements of paragraphs (1) and (2) of this  
0227 subsection (b).

0228 (1) Such facility is employed by the taxpayer in the operation  
0229 of a revenue producing enterprise, as defined in subsection (c).  
0230 Such facility shall not be considered a qualified business facility  
0231 in the hands of the taxpayer if the taxpayer's only activity with

A-3-6  
3/3/88

0232 respect to such facility is to lease it to another person or persons.  
0233 If the taxpayer employs only a portion of such facility in the  
0234 operation of a revenue producing enterprise, and leases another  
0235 portion of such facility to another person or persons or does not  
0236 otherwise use such other portions in the operation of a revenue  
0237 producing enterprise, the portion employed by the taxpayer in  
0238 the operation of a revenue producing enterprise shall be consid-  
0239 ered a qualified business facility, if the requirements of para-  
0240 graph (2) of this subsection (b) are satisfied.

0241 (2) If such facility was acquired by the taxpayer from another  
0242 person or persons, such facility was not employed, immediately  
0243 prior to the transfer of title to such facility to the taxpayer, or to  
0244 the commencement of the term of the lease of such facility to the  
0245 taxpayer, by any other person or persons in the operation of a  
0246 revenue producing enterprise and the taxpayer continues the  
0247 operation of the same or substantially identical revenue produc-  
0248 ing enterprise, as defined in subsection (i), at such facility.

0249 (c) "Revenue producing enterprise" ~~shall mean~~ means: (1)  
0250 The assembly, fabrication, manufacture or processing of any  
0251 agricultural, mineral or manufactured product;

0252 (2) the storage, warehousing, distribution or sale of any  
0253 products of agriculture, mining or manufacturing;

0254 (3) the feeding of livestock at a feed lot;

0255 (4) the operation of laboratories or other facilities for scien-  
0256 tific, agricultural, animal husbandry or industrial research, de-  
0257 velopment or testing;

0258 (5) the performance of services of any type, *including but not*  
0259 *limited to the sale and servicing of insurance contracts,* *the*  
0260 *provision of services by banks or savings and loan associations;*

0261 (6) the administrative management of any of the foregoing  
0262 activities; or

0263 (7) any combination of any of the foregoing activities.

0264 (d) "Qualified business facility employee" ~~shall mean~~ means  
0265 a person employed by the taxpayer in the operation of a qualified  
0266 business facility during the taxable year for which the credit  
0267 allowed by K.S.A. 79-32,153, and amendments thereto, is  
0268 claimed. A person shall be deemed to be so engaged if such

and

9-3-7  
3/3/88



0269 person performs duties in connection with the operation of the  
0270 qualified business facility on: (1) A regular, full-time basis; (2) a  
0271 part-time basis, provided such person is customarily performing  
0272 such duties at least 20 hours per week throughout the taxable  
0273 year; or (3) a seasonal basis, provided such person performs such  
0274 duties for substantially all of the season customary for the posi-  
0275 tion in which such person is employed. The number of qualified  
0276 business facility employees during any taxable year shall be  
0277 determined by dividing by 12 the sum of the number of qualified  
0278 business facility employees on the last business day of each  
0279 month of such taxable year. If the qualified business facility is in  
0280 operation for less than the entire taxable year, the number of  
0281 qualified business facility employees shall be determined by  
0282 dividing the sum of the number of qualified business facility  
0283 employees on the last business day of each full calendar month  
0284 during the portion of such taxable year during which the quali-  
0285 fied business facility was in operation by the number of full  
0286 calendar months during such period. Notwithstanding the *other*  
0287 provisions of this subsection (*d*), for the purpose of computing  
0288 the credit allowed by K.S.A. 79-32,153, and amendments thereto,  
0289 in the case of an investment in a qualified business facility,  
0290 which facility existed and was operated by the taxpayer or  
0291 related taxpayer prior to such investment, the number of quali-  
0292 fied business facility employees employed in the operation of  
0293 such facility shall be reduced by the average number, computed  
0294 as provided in this subsection, of individuals employed in the  
0295 operation of the facility during the taxable year preceding the  
0296 taxable year in which the qualified business facility investment  
0297 was made at the facility.

0298 (e) "Qualified business facility investment" shall mean  
0299 means the value of the real and tangible personal property,  
0300 except inventory or property held for sale to customers in the  
0301 ordinary course of the taxpayer's business, which constitutes the  
0302 qualified business facility, or which is used by the taxpayer in  
0303 the operation of the qualified business facility, during the tax-  
0304 able year for which the credit allowed by K.S.A. 79-32,153, and  
0305 amendments thereto, is claimed. The value of such property

28-3-8  
3/3/88

0306 during such taxable year shall be: (1) Its original cost if owned by  
0307 the taxpayer; or (2) eight times the net annual rental rate, if  
0308 leased by the taxpayer. The net annual rental rate shall be the  
0309 annual rental rate paid by the taxpayer less any annual rental rate  
0310 received by the taxpayer from subrentals. The qualified business  
0311 facility investment shall be determined by dividing by 12 the  
0312 sum of the total value of such property on the last business day of  
0313 each calendar month of the taxable year. If the qualified business  
0314 facility is in operation for less than an entire taxable year, the  
0315 qualified business facility investment shall be determined by  
0316 dividing the sum of the total value of such property on the last  
0317 business day of each full calendar month during the portion of  
0318 such taxable year during which the qualified business facility  
0319 was in operation by the number of full calendar months during  
0320 such period. Notwithstanding the *other* provisions of this sub-  
0321 section (e), for the purpose of computing the credit allowed by  
0322 K.S.A. 79-32,153, and amendments thereto, in the case of an  
0323 investment in a qualified business facility, which facility existed  
0324 and was operated by the taxpayer or related taxpayer prior to  
0325 such investment the amount of the taxpayer's qualified business  
0326 facility investment in such facility shall be reduced by the  
0327 average amount, computed as provided in this subsection, of the  
0328 investment of the taxpayer or a related taxpayer in the facility for  
0329 the taxable year preceding the taxable year in which the quali-  
0330 fied business facility investment was made at the facility.

0331 (f) "Commencement of commercial operations" shall be  
0332 deemed to occur during the first taxable year for which the  
0333 qualified business facility is first available for use by the tax-  
0334 payer, or first capable of being used by the taxpayer, in the  
0335 revenue producing enterprise in which the taxpayer intends to  
0336 use the qualified business facility.

0337 (g) (1) *With regard to a credit against the tax imposed by the*  
0338 *Kansas income tax act*, "qualified business facility income" shall  
0339 ~~mean~~ *means* the Kansas taxable income, as defined in article 32  
0340 of chapter 79 of the Kansas Statutes Annotated and amendments  
0341 thereto, derived by the taxpayer from the operation of the quali-  
0342 fied business facility. If a taxpayer has income derived from the

a-3-9  
3/3/88

4-3-10  
3/3/88

0343 operation of a qualified business facility as well as from other  
 0344 activities conducted within this state, the Kansas taxable income  
 0345 derived by the taxpayer from the operation of the qualified  
 0346 business facility shall be determined by multiplying the tax-  
 0347 payer's Kansas taxable income, computed in accordance with  
 0348 article 32 of chapter 79 of the Kansas Statutes Annotated and  
 0349 amendments thereto, by a fraction, the numerator of which is the  
 0350 property factor, as defined in paragraph (1) ~~(4)~~, plus the payroll  
 0351 factor, as defined in paragraph (2) ~~(5)~~, and the denominator of  
 0352 which is two.

(3) of this subsection (g)

(4) of this subsection (g)

~~0353 (2) With regard to a credit against the tax imposed by K.S.A.  
 0354 40-252 and amendments thereto on insurance companies,  
 0355 "qualified business facility income" means the insurance pre-  
 0356 miums derived by the taxpayer from the operation of the quali-  
 0357 fied business facility. If a taxpayer has insurance premiums  
 0358 derived from the operation of a qualified business facility as  
 0359 well as from other activities conducted within this state, the  
 0360 insurance premiums derived by the taxpayer from the operation  
 0361 of the qualified business facility shall be determined by multi-  
 0362 plying the taxpayer's total insurance premium, by a fraction, the  
 0363 numerator of which is the property factor, as defined in para-  
 0364 graph (4), plus the payroll factor, as defined in paragraph (5),  
 0365 and the denominator of which is two]~~

(2)

0366 ~~(3) With regard to a credit against the tax imposed by K.S.A.  
 0367 79-1106 through 79-1125 and amendments thereto on banks and  
 0368 savings and loan associations, "qualified business facility in-  
 0369 come" means the net income, as defined by K.S.A. 79-1109 and  
 0370 amendments thereto, derived by the taxpayer from the opera-  
 0371 tion of the qualified business facility. If a taxpayer has net  
 0372 income derived from the operation of a qualified business facil-  
 0373 ity as well as from other activities conducted within this state,  
 0374 the net income derived by the taxpayer from the operation of the  
 0375 qualified business facility shall be determined by multiplying  
 0376 the taxpayer's total net income, computed in accordance with  
 0377 K.S.A. 79-1109 and amendments thereto, by a fraction, the  
 0378 numerator of which is the property factor, as defined in para-  
 0379 graph (4), plus the payroll factor, as defined in paragraph (5)~~

(3) of this subsection (g)

(4) of this subsection (g)

0380 and the denominator of which is two.

0381 ~~(1)~~<sup>(4)</sup> The property factor is a fraction, the numerator of  
0382 which is the average value of the taxpayer's real and tangible  
0383 personal property owned or rented and used in connection with  
0384 the operation of the qualified business facility during the tax  
0385 period, and the denominator of which is the average value of all  
0386 the taxpayer's real and tangible personal property owned or  
0387 rented and used in this state during the tax period. The average  
0388 value of all such property shall be determined as provided in  
0389 K.S.A. 79-3281 and 79-3282, and amendments thereto.

(3)

0390 ~~(2)~~<sup>(5)</sup> The payroll factor is a fraction, the numerator of which  
0391 is the total amount paid during the tax period by the taxpayer for  
0392 compensation to persons qualifying as qualified business facility  
0393 employees, as determined under subsection (d), at the qualified  
0394 business facility, and the denominator of which is the total  
0395 amount paid in this state during the tax period by the taxpayer for  
0396 compensation. The compensation paid in this state shall be  
0397 determined as provided in K.S.A. 79-3283, and amendments  
0398 thereto.

(4)

0399 The formula set forth in this subsection (g) shall not be used for  
0400 any purpose other than determining the qualified business fa-  
0401 cility income attributable to a qualified business facility.

0402 (h) "Related taxpayer" shall mean means (1) a corporation,  
0403 partnership, trust or association controlled by the taxpayer; (2) an  
0404 individual, corporation, partnership, trust or association in con-  
0405 trol of the taxpayer; or (3) a corporation, partnership, trust or  
0406 association controlled by an individual, corporation, partnership,  
0407 trust or association in control of the taxpayer. For the purposes of  
0408 this act, "control of a corporation" shall mean ownership, di-  
0409 rectly or indirectly, of stock possessing at least 80% of the total  
0410 combined voting power of all classes of stock entitled to vote and  
0411 at least 80% of all other classes of stock of the corporation;  
0412 "control of a partnership or association" shall mean ownership of  
0413 at least 80% of the capital or profits interest in such partnership  
0414 or association; and "control of a trust" shall mean ownership,  
0415 directly or indirectly, of at least 80% of the beneficial interest in  
0416 the principal or income of such trust.

4-3-11  
3/3/88

0417 (i) "Same or substantially identical revenue producing en-  
0418 terprise" shall mean means a revenue producing enterprise in  
0419 which the products produced or sold, services performed or  
0420 activities conducted are the same in character and use, are  
0421 produced, sold, performed or conducted in the same manner and  
0422 to or for the same type of customers as the products, services or  
0423 activities produced, sold, performed or conducted in another  
0424 revenue producing enterprise.

0425 (j) "Insurance company" means any insurance company or  
0426 fraternal benefit society which is organized under the laws of  
0427 Kansas or doing business in Kansas and which has a tax imposed  
0428 thereon by K.S.A. 40-252 and amendments thereto.

0429 (k) "Insurance contract" includes any type of insurance  
0430 contract or other contract entered into by an insurance com-  
0431 pany for which premiums, subscription charges or other charges  
0432 are received and a tax is imposed on such premiums or charges  
0433 by K.S.A. 40-252 and amendments thereto.

0434 (l) "Insurance premiums" means all premiums, subscription  
0435 charges or other charges received by an insurance company  
0436 under insurance contracts and upon which a tax is imposed by  
0437 K.S.A. 40-252 and amendments thereto.

0438 (m) "Bank or savings and loan association" means any na-  
0439 tional banking association, bank, trust company or savings and  
0440 loan association which as a tax imposed thereon by K.S.A.  
0441 79-1106 through 79-1125 and amendments thereto.

0442 (n) "Taxpayer" means a taxpayer with regard to taxes im-  
0443 posed by the Kansas income tax act, an insurance company with  
0444 regard to taxes imposed by K.S.A. 40-252 and amendments  
0445 thereto, or a bank or savings and loan association with regard to  
0446 taxes imposed by K.S.A. 79-1106 through 79-1125 and amend-  
0447 ments thereto.

0448 Sec. 3. K.S.A. 1987 Supp. 79-32,155 is hereby amended to  
0449 read as follows: 79-32,155. A taxpayer entitled to the credit  
0450 allowed by K.S.A. 79-32,153, and amendments thereto, may elect  
0451 to defer the commencement of the ten-year period during which  
0452 such credit is allowed to any taxable year not later than the third  
0453 taxable year following the taxable year in which commencement

(o) "Adjusted Kansas taxable insurance premiums" means the result obtained by multiplying the total amount of the Kansas taxable insurance premiums for the taxable year, by a fraction, the numerator of which is the property factor, as defined in paragraph (3) of subsection (g), plus the payroll factor, as defined in paragraph (4) of subsection (g), and the denominator of which is two.

A-3-12  
3/3/88

0454 of commercial operations at the qualified business facility  
0455 occurs. The taxpayer shall perfect such election by notifying the  
0456 secretary of revenue *or the commissioner of insurance, if the*  
0457 *taxpayer is an insurance company*, by a written statement at-  
0458 tached to the return for the taxable year in which commencement  
0459 of commercial operations at the qualified business facility  
0460 occurs, of the intention to make such election. Once said election  
0461 has been perfected, the credit shall be allowed for the taxable  
0462 year specified in such election and for each of the nine succeed-  
0463 ing taxable years.

0464 Sec. 4. K.S.A. 1987 Supp. 79-32,156 is hereby amended to  
0465 read as follows: 79-32,156. (a) If a taxpayer, hereafter referred to  
0466 in this section as "transferor," ~~shall have~~ *has* established a  
0467 qualified business facility and, prior to the expiration of the  
0468 ten-year period during which the credit allowed by K.S.A. 79-  
0469 32,153, and amendments thereto, may be claimed by the trans-  
0470 feror, all or a portion of such qualified business facility, is  
0471 acquired by, or leased to, a related taxpayer, as defined in  
0472 subsection (h) of K.S.A. 79-32,154, and amendments thereto, and  
0473 hereafter referred to in this section as "transferee," the transferor  
0474 shall elect either to allow the transferee to claim such credit as  
0475 provided in subsection (b), or to retain such credit as provided in  
0476 subsection (c).

0477 (b) If all or a portion of the qualified business facility is  
0478 acquired by, or leased to, the transferee, the portion thereof so  
0479 acquired by, or leased to, the transferee shall be considered a  
0480 qualified business facility in the hands of the transferee. In such  
0481 event, the transferee shall be entitled to a credit, computed in  
0482 accordance with K.S.A. 79-32,153, and amendments thereto, with  
0483 respect to the portion of the qualified business facility held by it.  
0484 Such credit shall be allowed for the remaining portion of the  
0485 ten-year period during which the transferor could have claimed  
0486 such credit if all or a portion of the qualified business facility had  
0487 not been acquired by, or leased to, the transferee. The portion, if  
0488 any, of the qualified business facility retained by the transferor  
0489 shall continue to be a qualified business facility in the hands of  
0490 the transferor and it shall be entitled to the credit allowed by

A-3-13  
3/3/88

0491 K.S.A. 79-32,153, and amendments thereto, for the remaining  
0492 portion of such ten-year period.

0493 (c) If a portion of the qualified business facility is acquired  
0494 by, or leased to, the transferee, the transferor may, notwith-  
0495 standing such acquisition or lease, treat the portion of the quali-  
0496 fied business facility acquired by, or leased to, the transferee as a  
0497 qualified business facility held by the transferor. In such event,  
0498 the transferor shall be entitled to the credit allowed by K.S.A.  
0499 79-32,153, and amendments thereto, for the remaining portion of  
0500 such ten-year period, but the transferee shall not be entitled to  
0501 any such credit. For the purpose of computing such credit, the  
0502 transferor may take into account such number of employees of  
0503 the transferee as would constitute qualified business facility  
0504 employees, and such amount of the transferee's investment as  
0505 would constitute qualified business facility investment, if the  
0506 qualified business facility were considered held by the trans-  
0507 feree, but shall not take into account the income of the transferee  
0508 which would constitute qualified business facility income if the  
0509 qualified business facility were considered held by the trans-  
0510 feree.

0511 (d) The transferor shall perfect the election authorized by  
0512 subsection (a) by notifying the secretary of revenue *or the com-*  
0513 *missioner of insurance, if the transferor is an insurance com-*  
0514 *pany*, by a written statement attached to the return for the taxable  
0515 year in which the qualified business facility is acquired by, or  
0516 leased to, the transferee, of the election made and setting forth  
0517 such other information as the secretary of revenue ~~may~~, *or the*  
0518 *commissioner of insurance, if the transferor is an insurance*  
0519 *company, may require* by rules and regulations; ~~require~~. If the  
0520 transferor fails to make such election, the transferee shall be  
0521 deemed entitled to the credit in accordance with subsection (b)  
0522 of this section.

0523 (e) If an individual taxpayer entitled to the credit allowed by  
0524 K.S.A. 79-32,153, and amendments thereto, ~~shall die~~ *dies* prior to  
0525 the expiration of the ten-year period during which such taxpayer  
0526 is entitled to such credit and the qualified business facility with  
0527 respect to which such credit was claimed passes to the estate of

a-3-124  
3/3/88

0528 the deceased taxpayer, such estate shall be entitled to a credit  
0529 with respect to such qualified business facility. Upon distribu-  
0530 tion of the qualified business facility, or a portion thereof, to a  
0531 distributee of such estate, the distributee shall be entitled to a  
0532 credit with respect to such qualified business facility, or portion  
0533 thereof, distributed to it. The amount and period of the credit to  
0534 which such estate or distributee shall be entitled shall be deter-  
0535 mined in accordance with K.S.A. 79-32,153, and amendments  
0536 thereto, but in no event shall: (1) The qualified business facility  
0537 investment of the estate or distributee for the portion of the  
0538 qualified business facility acquired by it from the deceased  
0539 taxpayer exceed the deceased taxpayer's qualified business fa-  
0540 cility investment for such portion; and (2) the aggregate number  
0541 of taxable years for which the estate and the distributee may  
0542 claim such credit exceed 10 taxable years reduced by the number  
0543 of taxable years for which the deceased taxpayer claimed the  
0544 credit.

0545 Sec. 5. K.S.A. 1987 Supp. 79-32,157 is hereby amended to  
0546 read as follows: 79-32,157. If a taxpayer has terminated the  
0547 operation of a revenue producing enterprise at a qualified busi-  
0548 ness facility prior to the expiration of the ten-year period during  
0549 which a credit is allowed under K.S.A. 79-32,153, 79-32,155 or  
0550 79-32,156; ~~or~~ and amendments thereto; and later resumes the  
0551 operation of the same or a different revenue producing enter-  
0552 prise at such qualified business facility, the taxpayer ~~may~~, with  
0553 the consent of the secretary of revenue *or the commissioner of*  
0554 *insurance, if the taxpayer is an insurance company, may* elect to  
0555 claim a credit, upon resuming the operation of a revenue pro-  
0556 ducing enterprise at such qualified business facility, computed  
0557 in accordance with K.S.A. 79-32,153; ~~or~~ and amendments  
0558 thereto, but for a number of years following resumption of such  
0559 operations equal to 10 reduced by the number of years for which  
0560 the credit was claimed prior to termination of operation of such  
0561 revenue producing enterprise. The secretary of revenue *or the*  
0562 *commissioner of insurance, if the taxpayer is an insurance*  
0563 *company*, shall grant such consent if it is determined that the  
0564 termination of operations was due to reasonable cause and that



9-3-16  
3/3/88

0565 the resumption of operations of a revenue producing enterprise  
0566 at such qualified business facility will provide increased oppor-  
0567 tunities for employment and result in a substantial contribution  
0568 to the economy of the state.

0569 Sec. 6. K.S.A. 79-32,158 is hereby amended to read as fol-  
0570 lows: 79-32,158. (a) The secretary of revenue shall ~~prescribe~~  
0571 *adopt* such rules and regulations as may be deemed necessary to  
0572 carry out the purposes of ~~this act~~ K.S.A. 79-32,153 through  
0573 79-32,160 and amendments thereto.

0574 (b) *The commissioner of insurance shall adopt such rules*  
0575 *and regulations as deemed necessary to carry out the purposes*  
0576 *of K.S.A. 79-32,153 through 79-32,160 and amendments thereto*  
0577 *with regard to the credit allowed under such statutes against*  
0578 *taxes imposed by K.S.A. 40-252 and amendments thereto.*

0579 New Sec. ~~7~~ The provisions of this act shall be applicable to  
0580 all taxable years commencing after December 31, 1987.

insert section 7 attached

8

0581 Sec. ~~8~~ K.S.A. 79-32,158 and K.S.A. 1987 Supp. 79-32,153,  
0582 79-32,154, 79-32,155, 79-32,156 ~~and~~ 79-32,157 are hereby re-  
0583 pealed.

and 79-3606

9

1

0584 Sec. ~~9~~ This act shall take effect and be in force from and  
0585 after its publication in the statute book.

10

Sec. 7. K.S.A. 1987 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, which is not subject to taxation under the provisions of K.S.A. 79-41a02 and amendments thereto, and motor vehicles as defined by K.S.A. 79-1017 and amendments thereto;

(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, tissue or organ bank and used exclusively for state, political subdivision, hospital or nonprofit blood, tissue or organ bank purposes, except when: (1) Such state or hospital is engaged or proposes to engage in any 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, or (2) such political subdivision is engaged or proposes to engage in the business of furnishing gas, water, electricity or heat to others and such items of 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 79-3640, and amendments thereto, "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 are 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 is 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. 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 is 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. 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. 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 are 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 such 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. As used in this subsection, farming or ranching shall include the operation of a feedlot;

(v) all leases or rentals of tangible personal property used



as a dwelling if such 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) all 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;

(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" means sales other than the original retail sale of such mobile homes;

(ee) all sales of tangible personal property or services purchased for the purpose of and in conjunction with constructing, reconstructing, enlarging or remodeling a qualified business facility located within an enterprise zone, which will qualify for (A) an income tax credit under, (B) a credit against a tax imposed by K.S.A. 40-252 and amendments thereto, or (C) a credit against taxes imposed by K.S.A. 79-1106 through 79-1125 and amendments thereto, all in accordance with the provisions of K.S.A. 79-32,153 and amendments thereto, and the sale and installation of machinery and equipment purchased for installation at such a facility. When a person shall contract for the construction, reconstruction, enlargement or remodeling of any such facility, such person shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials, machinery and equipment 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 owner of the qualified business facility 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, machinery or equipment purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed thereon, 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. 79-3615 and amendments thereto;

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

(gg) all sales of lottery tickets and shares made as part of a lottery operated by the state of Kansas;

(hh) on and after July 1, 1988, all sales of new mobile homes to the extent of 40% of the gross receipts, determined without regard to any trade-in allowance, 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;

(ii) 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;

(jj) all sales of medical supplies and equipment purchased directly by a nonprofit skilled nursing home or nonprofit intermediate nursing care home, as defined by amendments

to residents thereof. This exemption shall not apply to tangible personal property customarily used for human habitation purposes;

(kk) 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

ing the renting and leasing of tangible personal property, sed directly on behalf of a community-based mental

including the renting and leasing of tangible personal property, purchased directly on behalf of a community-based mental retardation facility or mental health center organized pursuant to K.S.A. 19-4001 et seq., and amendments thereto, and licensed in accordance with the provisions of K.S.A. 75-3307b and amendments thereto. This exemption shall not apply to tangible personal property customarily used for human habitation purposes.