

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on January 20, 2005 in Room 519-S of the Capitol.

All members were present.

Committee staff present: Chris Courtwright, Legislative Research Department
Gordon Self, Revisor of Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Richard Cram, Director of Policy and Research, Department of Revenue
Secretary Joan Wagnon, Department of Revenue

Others attending:

See attached list.

The Chairman opened the floor for bill introductions

Representative O'Malley requested that a bill be introduced that would create a regional taxing authority for the Kansas district of Kansas City metropolitan area. The motion was seconded by Representative Owens. The motion carried.

Representative Siegfried requested that a bill be re-introduced relating to the Streamlined Sales Tax Moratorium. Representative Carlson seconded the motion. The motion carried.

The Chairman invited Richard Cram to give the Committee an overview on sales tax. He introduced staff members in attendance: Steven Brunkan, Financial Economist, Ronald Grant, Education Tax Specialist, Tom Hatten, Tax Specialist-Policy and Research, Tom Brown, Project Exemption Specialist.

He reviewed the *Kansas Sales & Use Tax Jurisdiction Code Booklet* (copy of booklet on file at Department of Revenue) that contained current local sales tax rates and city/county jurisdiction codes. It is updated quarterly. He stated that the most up-to-date information is on their website - www.ksrevenue.org. The *Kansas Sales Tax and Compensating Use Tax* guide (copy of booklet on file at Department of Revenue) was distributed. This booklet is sent to all new retailers for information on Kansas' tax processes.

Excerpts from the Department of Revenue Annual Report relating to Sales Tax (Attachment 1) were distributed. This handout provides a summary of the total amount of sales and use tax for the past six years. The second handout (Attachment 2) reflects the total amount of sales tax collected by county. He explained the Standard Industrial Classification System (SIC) and the North American Industry Classification System (NAICS) illustrated on pages 38-40. A *State Sales Tax Exemptions Summary* (Attachment 3) was distributed. It is a spreadsheet providing the fiscal estimate of the revenue foregone for each of the sales tax exemptions. An excerpt from the latest version of HOUSE Substitute for Senate Bill 147 was distributed (Attachment 4),

Mr. Cram defined sales tax as an excise tax on gross receipts on retail sales. It has been collected in Kansas since 1937, when it was proven to be a popular revenue raising tool for the state during the depression. The initial state rate was 2% and currently is 5.3%. There are 45 states, plus the District of Columbia that currently impose sales tax. In Kansas the state and local sales and use tax represents 42% of the total tax collected in Kansas. The sales tax is paid by the consumer, however the retailer is obligated to collect and remit the tax to the state.

The use tax is imposed on goods purchased out of state and are stored, used or consumed in Kansas. If the other state imposed a tax, Kansas tax liability would be offset. Its purpose is to protect both the state and local retailers from providing an artificial advantage to out-of-state retailers. He explained the process of collection of use tax, and the NAICS agreements in place between states. The consumer bears the responsibility for reporting and paying the use tax. A new mechanism has been added to state income tax forms this year, (line 18) that invites consumers to report use tax on their out-of-state purchases.

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on January 20, 2005 in Room 519-S of the Capitol.

Representative Kinzer called attention to the chart that reflected the total amount of dollars collected for use tax and questioned whether there was a breakdown in terms of amounts that were collected based upon business transactions verses the amount collected from individuals. Steve Brunkan stated that it was classified by whether it was paid by a consumer or retailer, and he agreed to provide that information to the committee.

Mr. Cram spoke briefly on the 1988 Federal Government "Moratorium on Internet Taxation", that prohibited states from collecting taxes on internet access fees. There is a misconception on this issue and many people think that this imposed moratorium is placed on states imposing taxes on retail transactions that take place over the internet, however that is false. A retail transaction that takes place on the internet is just as taxable as one that takes place over a counter. He explained how the NAICS applied in this circumstance. The Internet Tax Freedom Act prohibits states from imposing a tax on the monthly fees for internet service providers. In response to a question, Mr. Cram explained affiliate NAICS and its application to internet sales.

Secretary Wagon, Department of Revenue, introduced David Corbin, Special Assistant to the Secretary, stating that he would be available to answer any committee members questions on tax related issues during the session.

The Secretary explained data on the State General Fund Total Collections and by Source handout (see Attachment 1). She called attention to the two principal sources of taxes, Income Tax and Sales Tax. She spoke of the Legislature's responsibility in setting taxes and the ramifications of those tax changes from the revenue standpoint.

She called attention to **SB 147** and reviewed Section 7, 79-3603, on page 5 of Attachment 4, which reads: *For the privilege of engaging in the business in 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 at the rate of 5.3%. Taxes are divided into twenty-one categories. The exemptions from taxation are listed in Section 8, 79-3606, which she invited committee members to peruse. She noted that the State Sales Tax Exemptions Summary, that had been distributed to the Committee, provided important data on all the exemptions.*

She referred to several excerpts from a policy document that was developed by the Hodge Commission in 1970. This group, in the course of the summer interim, studied Kansas taxes and questioned the current status and what the ideal status would be. The process they put in place to evaluate tax policy gave guidance for many years to the Legislature on how to treat all exemption requests. She suggested that the tax committee needed a common understanding of what tax policies should be going forward into the new century in order to evaluate the myriads of tax requests that come before the committee. She spoke of the difficulties in administering exemptions based on varying percentages, and the concerns of sales rebate on food. She stated she would provide additional information from advocacy organizations regarding ease in obtaining help with food rebates.

Representative Menghini moved that the January 12 and 13 minutes be approved. Representative Thull seconded the motion. The motion carried.

The meeting was adjourned at 10:25 a.m. The next meeting is January 21, 2005.

HOUSE TAXATION COMMITTEE GUEST LIST

DATE: January 20, 2005

NAME	REPRESENTING
Jan Wagner	KDOR
Richard Cram	"
KEN DANIEL	KCSMALLBIZ.COM
Hal Hudson	NFIB/KS
Kathy Sacks	SOS
Brian Nye	Rep Huff
Emily Mueller	Rep. Huntington
Mike Pepon	Sedgwick County
Andy Schlapp	Sedgwick County
Michelle Pittman	Kansas Governmental Consulting
Mavis Sheker	KCAA
MIKE BORCHARD	KCAA SEDGWICK COUNTY
Brent Haden	KS Livestock Assoc.
Erik Sartorius	City of Overland Park
Harriet Lange	Ks Assn of Broadcasters
Deann Williams	KS Motor Carriers Assoc.
JACKIE CURRIL	Challmark Cards
Martha Jean Smith	KMHA
Steve Johnson	Kansas Gas Service

HOUSE TAXATION COMMITTEE GUEST LIST

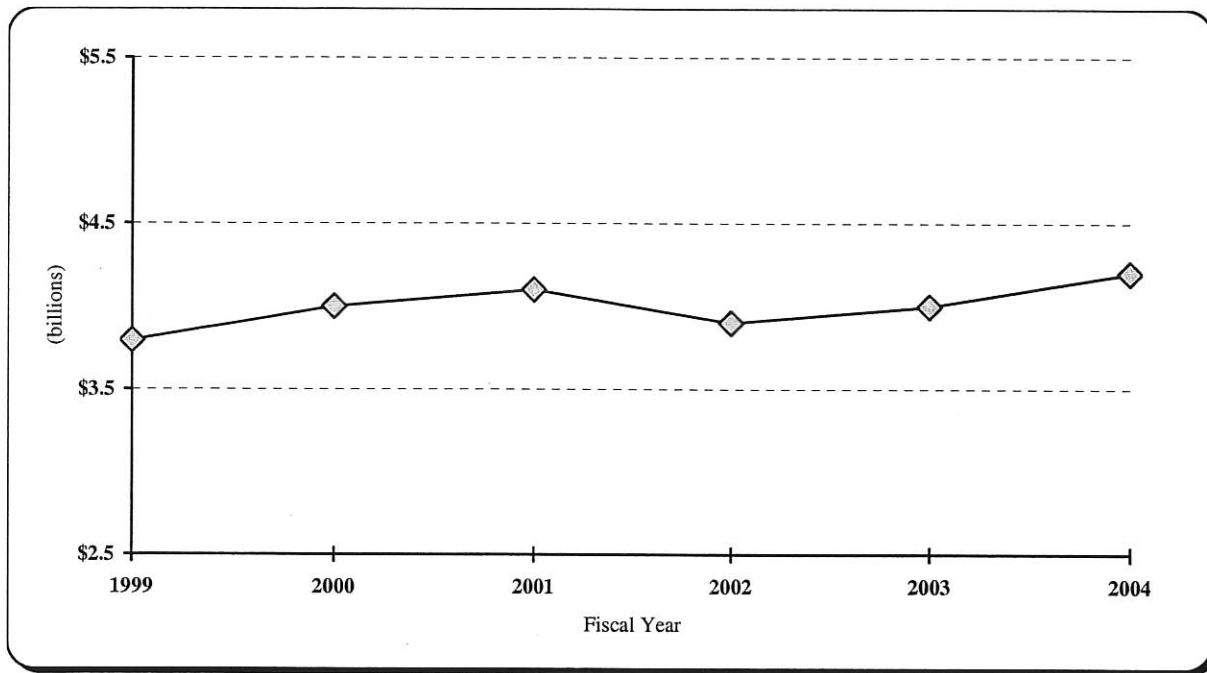
DATE: Jan. 20, 2005

NAME	REPRESENTING
Bernie Koch	Wichita Area Chamber of Commerce
Ron Seiber	Hein Law Firm
Tom Bruno	Bruno & Assoc.
Sarah Novascone	Federico Consulting
Tom Browne, Jr	KDOR
Tom HATTEN	KDOR
Ron GRANT	KDOR
Steven Brunkard	KDOR
Kan Messer	Intern Rep. Kirk
Jeanne Goodwin	City of Wichita
David R. Corbin	KDOR
Tom FALACE	PMCA
Jenny Davis	Conlee Consulting
Bryan Bengam	Intern-Rep. Davis
April Holman	Kansas Action for Children
Bruce Hineson	KFB

State General Fund Total Collections and by Source (Net of Refunds)

Collections by Department of Revenue

Fiscal Year 2004 State General Fund Collections increased by 5.3% compared to the prior fiscal year.



General Fund Collections by Source

Source	Fiscal Year 2003	Fiscal Year 2004	Percent Change
Motor Carrier Property Tax *	\$15,729,081	\$19,497,652	24.0%
Individual Income Tax	\$1,750,054,137	\$1,888,431,039	7.9%
Corporate Income	\$105,222,316	\$141,172,918	34.2%
Privilege	\$31,119,555	\$25,435,185	-18.3%
Estate Tax	\$46,951,948	\$48,064,151	2.4%
Sales Tax	\$1,567,721,762	\$1,612,066,627	2.8%
Use Tax	\$225,923,323	\$214,503,105	-5.1%
Alcoholic Beverage Taxes, Fees, Fines	\$64,673,797	\$67,502,495	4.4%
Cigarette/Tobacco Tax	\$133,759,678	\$124,586,274	-6.9%
Mineral Tax	\$72,775,126	\$84,639,220	16.3%
Other **	<u>\$5,007,869</u>	<u>\$4,921,865</u>	-1.7%
Total	\$4,018,938,592	\$4,230,820,531	5.3%

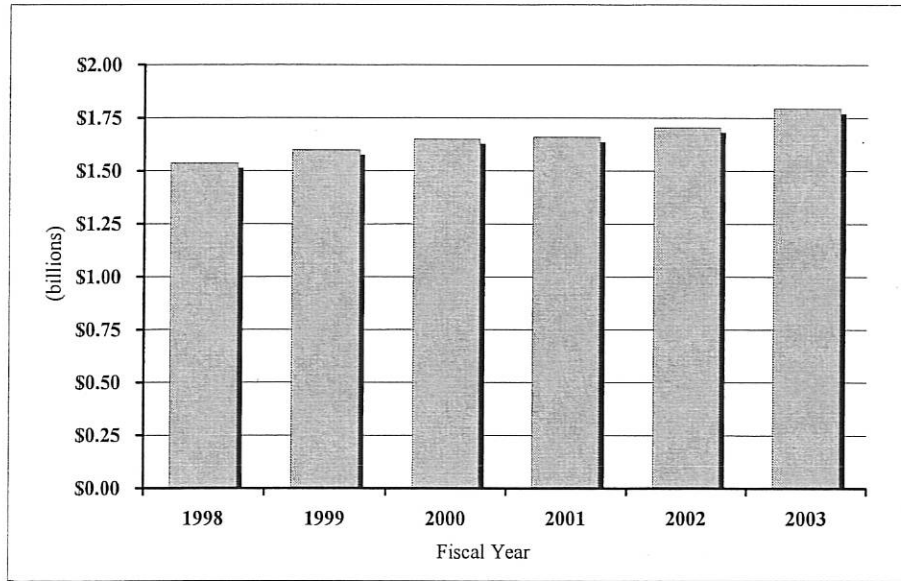
Note: FY 2002 "Other" revised

* Like amount is transferred to Special County/City Highway Fund.

** Other includes: bingo; controlled substances; gas, oil and mineral royalties; car line; bonds; licenses; and fees.

State Retailers' Sales and Compensating Use Taxes Amount to State General Fund

Statewide retailers' sales and compensating use taxes are applied to the sale of tangible personal property, and to specified services at retail. The compensating use tax includes consumers' use, retailers' use, and auto lease tax. The present state retailers' sales and compensating tax rate is 5.3%, effective July 1, 2002.



<u>Fiscal Year</u>	<u>State Sales</u>	<u>State Use</u>	<u>State Total</u>	<u>Percent Change</u>
1998	\$1,351,590,569	\$185,088,031	\$1,536,678,600	5.3%
1999	\$1,398,527,376	\$200,015,052	\$1,598,542,428	9.7%
2000	\$1,440,295,399	\$209,966,001	\$1,650,261,400	4.0%
2001	\$1,423,059,270	\$235,893,258	\$1,658,952,528	3.2%
2002	\$1,470,606,510	\$233,603,728	\$1,704,210,238	0.5%
2003	\$1,567,721,762	\$225,923,323	\$1,793,645,085	5.2%

Total Amount State Sales Tax Collections by County

Fiscal Year 2002 - 4.9% state sales tax rate; Fiscal Year 2003 - 5.3% state sales tax rate.

County	FY2002	FY2003	Percent Change	FY2002 Per Capita*	FY2002 PC Rank*	FY2003 Per Capita*	FY2003 PC Rank*
Allen	\$4,901,650	\$5,376,251	9.7%	\$345.36	42	\$377.70	35
Anderson	\$2,557,894	\$2,571,791	0.5%	\$312.32	57	\$315.67	57
Atchison	\$5,215,769	\$5,951,927	14.1%	\$312.56	56	\$356.77	43
Barber	\$2,091,968	\$2,158,438	3.2%	\$405.18	28	\$424.47	31
Barton	\$16,291,656	\$16,797,835	3.1%	\$585.82	10	\$605.48	11
Bourbon	\$5,396,181	\$5,429,598	0.6%	\$351.06	40	\$357.89	42
Brown	\$3,139,797	\$3,186,706	1.5%	\$295.37	61	\$303.47	61
Butler	\$20,904,179	\$21,381,421	2.3%	\$347.28	41	\$353.21	44
Chase	\$517,353	\$544,568	5.3%	\$170.57	97	\$185.86	94
Chautauqua	\$617,839	\$674,145	9.1%	\$144.69	103	\$160.13	102
Cherokee	\$4,513,626	\$4,744,948	5.1%	\$202.11	89	\$216.14	87
Cheyenne	\$830,040	\$791,933	-4.6%	\$266.55	69	\$253.58	74
Clark	\$397,371	\$381,450	-4.0%	\$167.60	98	\$160.14	101
Clay	\$2,859,256	\$2,949,413	3.2%	\$325.99	47	\$338.86	49
Cloud	\$4,545,170	\$4,759,960	4.7%	\$455.20	22	\$479.25	22
Coffey	\$2,829,939	\$2,838,651	0.3%	\$321.04	52	\$318.88	56
Comanche	\$544,846	\$579,588	6.4%	\$277.84	64	\$291.98	63
Cowley	\$13,014,777	\$13,297,113	2.2%	\$362.24	35	\$365.03	40
Crawford	\$15,928,459	\$16,658,799	4.6%	\$419.98	26	\$437.79	26
Decatur	\$735,203	\$678,284	-7.7%	\$214.22	84	\$199.09	92
Dickinson	\$7,113,202	\$7,250,631	1.9%	\$371.35	34	\$378.74	34
Doniphan	\$1,232,269	\$1,237,307	0.4%	\$148.41	102	\$150.62	104
Douglas	\$50,948,959	\$54,880,054	7.7%	\$509.46	16	\$536.38	16
Edwards	\$654,453	\$673,344	2.9%	\$196.83	91	\$201.78	91
Elk	\$651,640	\$613,102	-5.9%	\$204.34	88	\$195.38	93
Ellis	\$19,364,439	\$21,147,518	9.2%	\$710.70	4	\$775.37	4
Ellsworth	\$1,644,009	\$1,581,470	-3.8%	\$253.39	74	\$246.41	77
Finney	\$22,513,269	\$22,967,195	2.0%	\$561.68	13	\$578.05	13
Ford	\$17,593,102	\$18,127,157	3.0%	\$544.44	15	\$554.99	14
Franklin	\$9,988,178	\$10,797,923	8.1%	\$400.44	30	\$426.42	29
Geary	\$10,802,194	\$11,459,724	6.1%	\$403.08	29	\$433.92	28
Gove	\$1,074,282	\$1,056,792	-1.6%	\$357.14	37	\$353.21	45
Graham	\$1,185,880	\$1,209,354	2.0%	\$416.83	27	\$424.78	30
Grant	\$4,406,452	\$4,340,538	-1.5%	\$565.65	12	\$549.78	15
Gray	\$1,642,216	\$1,565,269	-4.7%	\$276.19	66	\$258.94	71
Greeley	\$411,717	\$390,589	-5.1%	\$273.93	67	\$265.35	70
Greenwood	\$1,692,531	\$1,873,445	10.7%	\$217.80	83	\$244.80	78
Hamilton	\$788,299	\$769,871	-2.3%	\$295.13	62	\$289.64	64
Harper	\$2,047,851	\$2,327,983	13.7%	\$323.26	49	\$370.82	38
Harvey	\$14,489,792	\$15,118,016	4.3%	\$438.67	25	\$452.97	23
Haskell	\$1,036,732	\$1,167,270	12.6%	\$241.94	77	\$272.03	68
Hodgeman	\$308,050	\$359,989	16.9%	\$143.01	104	\$167.51	99
Jackson	\$4,140,746	\$4,381,734	5.8%	\$324.97	48	\$343.91	48
Jefferson	\$2,859,184	\$2,968,902	3.8%	\$153.64	100	\$159.07	103
Jewell	\$580,404	\$587,948	1.3%	\$161.63	99	\$168.23	98
Johnson	\$390,944,173	\$415,348,019	6.2%	\$840.64	1	\$871.60	1
Kearny	\$786,369	\$783,548	-0.4%	\$172.37	96	\$172.47	97
Kingman	\$2,284,723	\$2,275,989	-0.4%	\$268.41	68	\$270.11	69
Kiowa	\$935,683	\$1,020,265	9.0%	\$298.75	60	\$328.38	52
Labette	\$7,637,662	\$7,767,141	1.7%	\$339.71	43	\$348.60	47
Lane	\$430,326	\$443,204	3.0%	\$205.80	86	\$221.60	83
Leavenworth	\$19,476,820	\$21,594,278	10.9%	\$277.21	65	\$305.05	59
Lincoln	\$687,020	\$655,858	-4.5%	\$193.69	93	\$185.17	95
Linn	\$1,890,438	\$2,154,990	14.0%	\$195.19	92	\$222.76	82
Logan	\$1,136,240	\$1,086,291	-4.4%	\$384.25	32	\$362.34	41
Lyon	\$17,015,008	\$17,947,186	5.5%	\$478.49	17	\$499.87	18
Marion	\$3,311,351	\$3,371,021	1.8%	\$246.69	75	\$254.46	73
Marshall	\$3,833,784	\$4,027,728	5.1%	\$355.90	38	\$380.58	33
McPherson	\$13,649,339	\$13,128,569	-3.8%	\$460.85	20	\$446.35	24
Meade	\$1,085,574	\$1,101,971	1.5%	\$233.61	79	\$238.52	80
Miami	\$9,690,342	\$10,738,313	10.8%	\$336.70	44	\$371.52	36
Mitchell	\$3,024,846	\$3,216,781	6.3%	\$446.27	23	\$480.62	21
Montgomery	\$16,270,291	\$16,977,260	4.3%	\$458.06	21	\$480.85	20

Total Amount State Sales Tax Collections by County

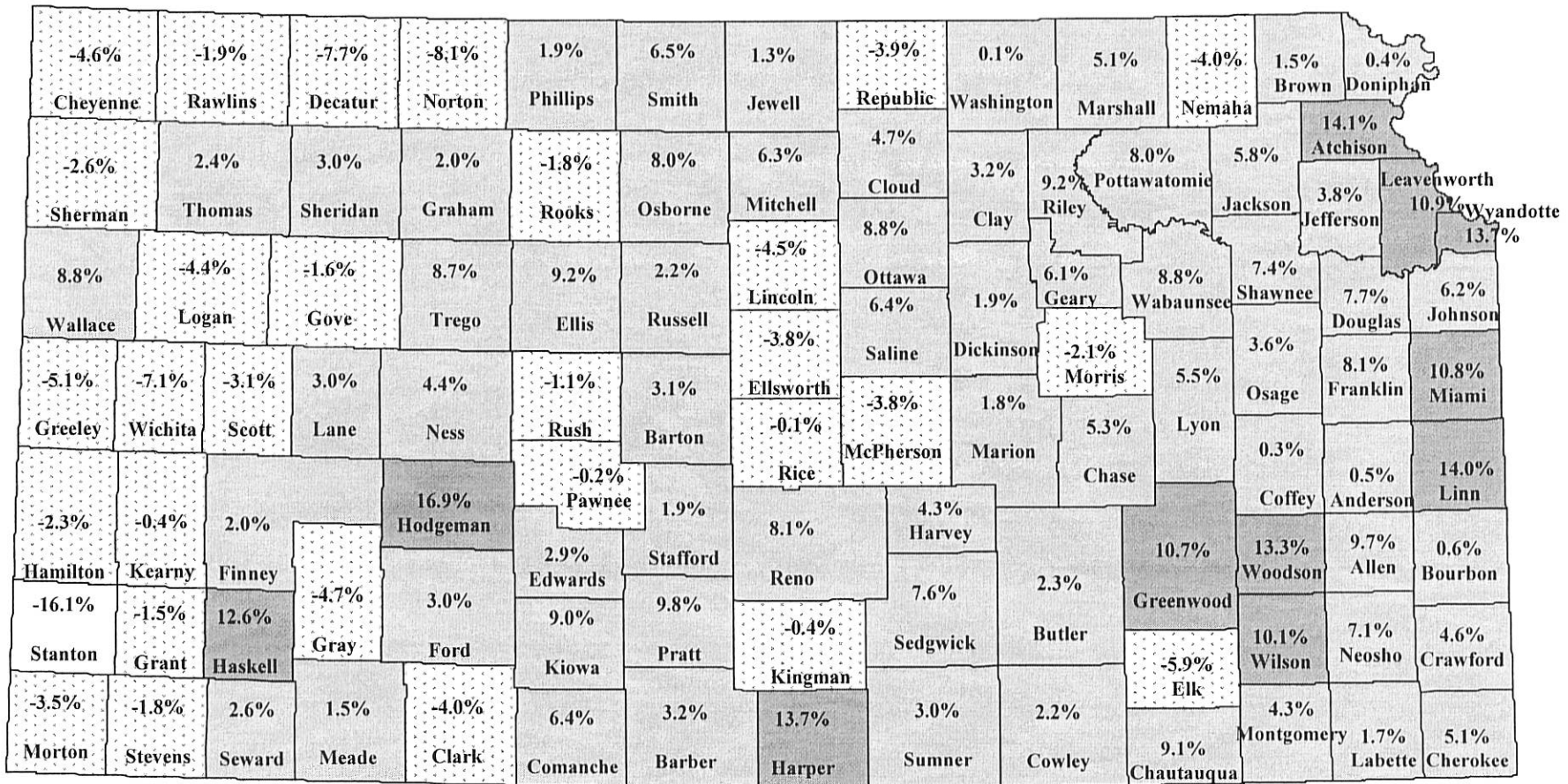
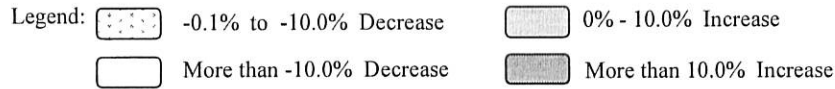
Fiscal Year 2002 - 4.9% state sales tax rate; Fiscal Year 2003 - 5.3% state sales tax rate.

County	FY2002	FY2003	Percent Change	FY2002 Per Capita*	FY2002 PC Rank*	FY2003 Per Capita*	FY2003 PC Rank*
Morris	\$1,893,929	\$1,854,901	-2.1%	\$309.87	58	\$304.98	60
Morton	\$1,291,379	\$1,246,539	-3.5%	\$381.50	33	\$370.99	37
Nemaha	\$3,326,946	\$3,192,811	-4.0%	\$316.37	55	\$305.15	58
Neosho	\$7,815,943	\$8,374,779	7.1%	\$466.37	18	\$503.35	17
Ness	\$1,550,348	\$1,619,061	4.4%	\$464.18	19	\$488.26	19
Norton	\$1,938,925	\$1,781,183	-8.1%	\$331.95	45	\$302.97	62
Osage	\$3,390,178	\$3,511,653	3.6%	\$200.57	90	\$207.45	90
Osborne	\$1,376,627	\$1,486,724	8.0%	\$316.83	54	\$350.97	46
Ottawa	\$944,509	\$1,027,961	8.8%	\$152.59	101	\$163.45	100
Pawnee	\$2,234,406	\$2,229,616	-0.2%	\$320.16	53	\$320.99	54
Phillips	\$1,943,783	\$1,980,629	1.9%	\$330.97	46	\$337.36	50
Pottawatomie	\$14,328,379	\$15,474,580	8.0%	\$781.43	2	\$836.96	2
Pratt	\$5,497,185	\$6,033,671	9.8%	\$575.98	11	\$632.39	8
Rawlins	\$647,832	\$635,740	-1.9%	\$222.01	81	\$220.21	85
Reno	\$35,341,929	\$38,215,242	8.1%	\$550.18	14	\$599.08	12
Republic	\$1,626,475	\$1,562,807	-3.9%	\$288.08	63	\$285.81	66
Rice	\$2,695,086	\$2,691,219	-0.1%	\$254.54	73	\$256.28	72
Riley	\$21,765,297	\$23,766,831	9.2%	\$360.54	36	\$386.58	32
Rooks	\$1,806,161	\$1,772,834	-1.8%	\$321.72	51	\$322.80	53
Rush	\$628,262	\$621,296	-1.1%	\$180.12	95	\$177.92	96
Russell	\$2,528,890	\$2,583,563	2.2%	\$352.90	39	\$366.20	39
Saline	\$39,592,803	\$42,144,743	6.4%	\$738.04	3	\$781.76	3
Scott	\$2,213,304	\$2,144,845	-3.1%	\$442.48	24	\$435.68	27
Sedgwick	\$294,887,778	\$317,343,644	7.6%	\$647.37	5	\$686.98	5
Seward	\$14,343,241	\$14,711,735	2.6%	\$639.35	6	\$637.64	7
Shawnee	\$108,453,734	\$116,448,491	7.4%	\$637.66	7	\$681.99	6
Sheridan	\$705,368	\$726,201	3.0%	\$258.76	72	\$274.97	67
Sherman	\$4,010,640	\$3,905,012	-2.6%	\$614.38	8	\$610.35	10
Smith	\$1,179,767	\$1,256,633	6.5%	\$265.95	70	\$287.89	65
Stafford	\$972,211	\$990,815	1.9%	\$204.46	87	\$212.53	89
Stanton	\$624,761	\$523,882	-16.1%	\$259.45	71	\$217.38	86
Stevens	\$1,733,150	\$1,702,769	-1.8%	\$322.21	50	\$319.35	55
Sumner	\$6,128,490	\$6,309,739	3.0%	\$238.01	78	\$247.12	76
Thomas	\$4,922,651	\$5,041,628	2.4%	\$609.24	9	\$623.04	9
Trego	\$965,455	\$1,048,988	8.7%	\$302.18	59	\$334.07	51
Wabaunsee	\$906,947	\$986,385	8.8%	\$132.54	105	\$146.89	105
Wallace	\$391,623	\$426,229	8.8%	\$229.56	80	\$251.91	75
Washington	\$1,351,169	\$1,352,698	0.1%	\$213.76	85	\$215.71	88
Wichita	\$625,193	\$580,587	-7.1%	\$246.33	76	\$232.05	81
Wilson	\$2,249,721	\$2,477,293	10.1%	\$219.81	82	\$244.24	79
Woodson	\$713,819	\$808,470	13.3%	\$189.95	94	\$220.41	84
Wyandotte	\$61,783,709	\$70,258,336	13.7%	\$392.37	31	\$443.74	25
Total Counties	\$1,444,420,816	\$1,537,097,119		\$536.03		\$565.97	
Miscellaneous	<u>\$7,881,062</u>	<u>\$8,476,588</u>					
Grand Total	\$1,452,301,878	\$1,545,573,707	6.4%				

*Population based upon figures certified to the Secretary of State by the Division of the Budget on July 1, 2003.
Figures might not add from rounding.

State Sales Tax Collection, Percent Change by County

This map shows the Fiscal Year 2003 state sales tax collection percentage change over Fiscal Year 2002, by county. Total statewide percent change was 6.4%. Effective July 1, 2002, Fiscal Year 2003, the state sales tax rate increased from 4.9% to 5.3%.

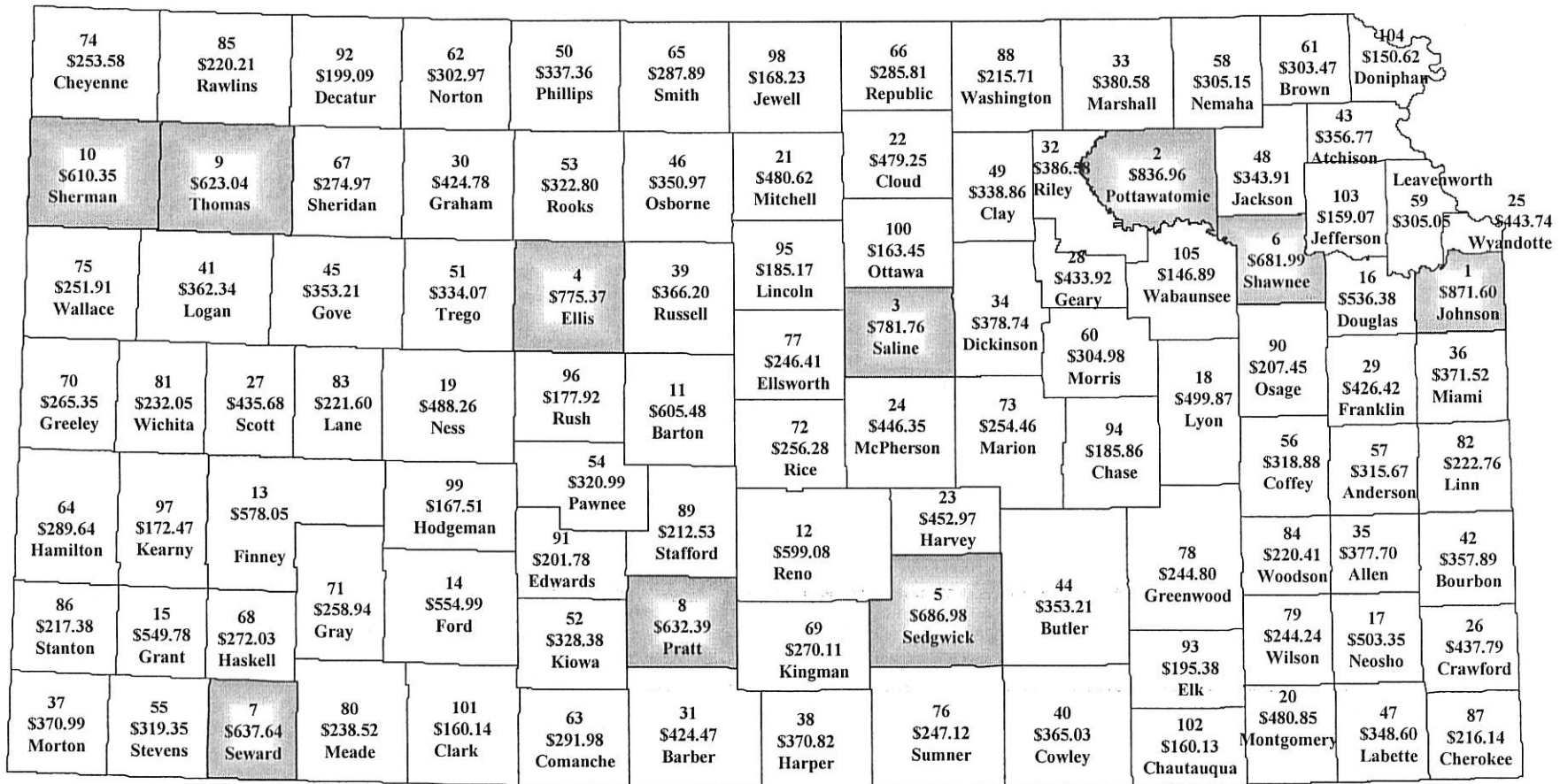


Revised historical data is available upon request.

State Sales Tax Per Capita, with Rank by County

This map shows the Fiscal Year 2003 state sales tax paid per person, by county. The per capita figures are computed by dividing the sales tax collections for each county by its population. A high per capita figure may indicate either a high level of spending by each resident, or a high level of spending in the county by nonresidents or tourists. The shaded areas represent the ten highest per capita counties in the state. Major metropolitan areas such as Johnson, Sedgwick, and Shawnee counties have high ratios because of their many large shopping centers and high level of tourism.

Legend:  Top 10 Counties



Revised historical data is available upon request.

Total State Sales Tax Collection by Standard Industrial Classification

Fiscal Year 2002 - 4.9% state sales tax rate; Fiscal Year 2003 - 5.3% state sales tax rate.

In 2002, the Department converted from the Standard Industrial Classification System (SIC) to the North American Industry Classification System (NAICS). Some of the sizable percent changes are due to the conversion to NAICS.

<u>North American Industry Classification</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>Percent Change</u>
11 Agriculture, Forestry, Fishing and Hunting			
111 Crop Production	\$ 766,980	\$ 809,055	5.5%
112 Animal Production	\$ 55,231	\$ 94,715	71.5%
114 Fishing, Hunting and Trapping	\$ 236,992	\$ 245,842	3.7%
115 Agriculture and Forestry Support Activities	\$ 163,743	\$ 210,282	28.4%
2-digit Total	\$ 1,222,946	\$ 1,359,894	11.2%
21 Mining			
211 Oil and Gas Extraction	\$ 149,509	\$ 290,741	94.5%
212 Mining (except Oil and Gas)	\$ 1,552,662	\$ 1,566,661	0.9%
213 Support Activities for Mining	\$ 4,281,323	\$ 4,611,567	7.7%
2-digit Total	\$ 5,983,493	\$ 6,468,969	8.1%
22 Utilities			
221 Utilities	\$ 35,446,731	\$ 41,090,299	15.9%
2-digit Total	\$ 35,446,731	\$ 41,090,299	15.9%
23 Construction			
236 Construction of Buildings	\$ 4,267,647	\$ 4,496,662	5.4%
237 Heavy and Civil Engineering Construction	\$ 8,893,482	\$ 7,948,433	-10.6%
238 Specialty Trade Contractors	\$ 27,901,028	\$ 30,591,972	9.6%
2-digit Total	\$ 41,062,157	\$ 43,037,067	4.8%
31-33 Manufacturing			
311 Food Mfg	\$ 1,787,742	\$ 2,242,825	25.5%
312 Beverage and Tobacco Product Mfg	\$ 178,954	\$ 732,196	309.2%
313 Textile Mills	\$ 50,243	\$ 84,847	68.9%
314 Textile Product Mills	\$ 318,422	\$ 280,863	-11.8%
315 Apparel Mfg	\$ 222,307	\$ 164,415	-26.0%
316 Leather and Allied Product Mfg	\$ 10,671	\$ 13,968	30.9%
321 Wood Product Mfg	\$ 2,218,740	\$ 2,264,085	2.0%
322 Paper Mfg	\$ 903,562	\$ 807,131	-10.7%
323 Printing and Related Support Activities	\$ 5,946,169	\$ 5,967,150	0.4%
324 Petroleum and Coal Products Mfg	\$ 2,803,083	\$ 2,198,185	-21.6%
325 Chemical Mfg	\$ 2,319,994	\$ 3,109,098	34.0%
326 Plastics and Rubber Products Mfg	\$ 294,001	\$ 489,620	66.5%
327 Nonmetallic Mineral Product Mfg	\$ 10,835,448	\$ 10,992,373	1.4%
331 Primary Metal Mfg	\$ 241,841	\$ 383,860	58.7%
332 Fabricated Metal Product Mfg	\$ 2,793,353	\$ 2,329,433	-16.6%
333 Machinery Mfg	\$ 1,341,403	\$ 1,858,964	38.6%
334 Computer and Electronic Product Mfg	\$ 810,563	\$ 1,069,552	32.0%
335 Electrical Equipment & Appliance Mfg	\$ 270,809	\$ 280,482	3.6%
336 Transportation Equipment Mfg	\$ 5,292,459	\$ 5,356,765	1.2%
337 Furniture and Related Product Mfg	\$ 1,817,138	\$ 1,894,696	4.3%
339 Miscellaneous Mfg	\$ 1,206,647	\$ 1,522,680	26.2%
2-digit Total	\$ 41,663,547	\$ 44,043,187	5.7%
42 Wholesale Trade			
423 Merchant Wholesalers, Durable Goods	\$ 58,978,815	\$ 60,828,576	3.1%
424 Merchant Wholesalers, Nondurable Goods	\$ 17,234,730	\$ 19,386,101	12.5%
425 Electronic Markets and Agents and Brokers	\$ 6,838,967	\$ 4,853,864	-29.0%
2-digit Total	\$ 83,052,512	\$ 85,068,542	2.4%

Total State Sales Tax Collection by Standard Industrial Classification

Fiscal Year 2002 - 4.9% state sales tax rate; Fiscal Year 2003 - 5.3% state sales tax rate.

In 2002, the Department converted from the Standard Industrial Classification System (SIC) to the North American Industry Classification System (NAICS). Some of the sizable percent changes are due to the conversion to NAICS.

<u>North American Industry Classification</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>Percent Change</u>
44-45 Retail Trade			
441 Motor Vehicle and Parts Dealers	\$ 206,558,533	\$ 220,861,941	6.9%
442 Furniture and Home Furnishings Stores	\$ 30,401,182	\$ 31,454,300	3.5%
443 Electronics and Appliance Stores	\$ 31,897,334	\$ 33,647,697	5.5%
444 Building Material and Garden Supply Stores	\$ 77,830,620	\$ 83,990,297	7.9%
445 Food and Beverage Stores	\$ 129,155,170	\$ 143,855,721	11.4%
446 Health and Personal Care Stores	\$ 12,852,556	\$ 12,042,665	-6.3%
447 Gasoline Stations	\$ 35,053,067	\$ 29,345,344	-16.3%
448 Clothing and Clothing Accessories Stores	\$ 40,812,546	\$ 43,619,555	6.9%
451 Sporting Goods, Hobby, Book, & Music Stores	\$ 27,557,160	\$ 32,653,124	18.5%
452 General Merchandise Stores	\$ 235,373,601	\$ 253,220,633	7.6%
453 Miscellaneous Store Retailers	\$ 38,232,675	\$ 42,721,214	11.7%
454 Nonstore Retailers	\$ 8,584,714	\$ 12,725,922	48.2%
2-digit Total	\$ 874,309,158	\$ 940,138,412	7.5%
48-49 Transportation and Warehousing			
481 Air Transportation	\$ 115,711	\$ 91,065	-21.3%
482 Rail Transportation	Confidential	Confidential	
483 Water Transportation	Confidential	Confidential	
484 Truck Transportation	\$ 961,823	\$ 1,184,065	23.1%
485 Transit and Ground Passenger Transportation	\$ 7,225	\$ 8,143	12.7%
486 Pipeline Transportation	Confidential	\$ 159,570	
487 Scenic and Sightseeing Transportation	Confidential	Confidential	
488 Support Activities for Transportation	\$ 1,121,416	\$ 1,041,328	-7.1%
491 Postal Service	Confidential	Confidential	
492 Couriers and Messengers	\$ 54,893	\$ 43,946	-19.9%
493 Warehousing and Storage	\$ 513,978	\$ 642,635	25.0%
2-digit Total	\$ 2,813,229	\$ 3,177,961	13.0%
51 Information			
511 Publishing Industries (except Internet)	\$ 4,242,577	\$ 5,052,801	19.1%
512 Motion Picture & Sound Recording Industries	\$ 4,314,415	\$ 4,880,166	13.1%
515 Broadcasting (except Internet)	\$ 8,048,354	\$ 11,486,641	42.7%
516 Internet Publishing and Broadcasting	Confidential	\$ 2,281	
517 Telecommunications	\$ 98,431,549	\$ 99,691,361	1.3%
518 ISPs, Search Portals, and Data Processing	\$ 386,669	\$ 587,375	51.9%
519 Other Information Services	Confidential	\$ 41,921	
2-digit Total	\$ 115,461,542	\$ 121,742,546	5.4%
52 Finance and Insurance			
521 Monetary Authorities - Central Bank	Confidential	Confidential	
522 Credit Intermediation and Related Activities	\$ 5,122,916	\$ 2,974,011	-41.9%
523 Securities and Commodity Contract Brokerage	\$ 308,339	\$ 519,975	68.6%
524 Insurance Carriers and Related Activities	\$ 64,951	\$ 322,382	396.3%
525 Funds, Trusts, and Other Financial Vehicles	Confidential	Confidential	
2-digit Total	\$ 5,496,205	\$ 3,825,302	-30.4%
53 Real Estate and Rental and Leasing			
531 Real Estate	\$ 517,709	\$ 631,480	22.0%
532 Rental and Leasing Services	\$ 20,283,386	\$ 22,466,952	10.8%
2-digit Total	\$ 20,801,095	\$ 23,098,433	11.0%

Total State Sales Tax Collection by Standard Industrial Classification

Fiscal Year 2002 - 4.9% state sales tax rate; Fiscal Year 2003 - 5.3% state sales tax rate.

In 2002, the Department converted from the Standard Industrial Classification System (SIC) to the North American Industry Classification System (NAICS). Some of the sizable percent changes are due to the conversion to NAICS.

<u>North American Industry Classification</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>Percent Change</u>
54 Professional and Technical Services			
541 Professional and Technical Services	\$ 9,835,692	\$ 9,766,911	-0.7%
2-digit Total	\$ 9,835,692	\$ 9,766,911	-0.7%
55 Management of Companies and Enterprises			
551 Management of Companies and Enterprises	\$ 297,921	\$ 1,034,366	247.2%
2-digit Total	\$ 297,921	\$ 1,034,366	247.2%
56 Administrative and Waste Services			
561 Administrative and Support Services	\$ 15,763,110	\$ 15,548,814	-1.4%
562 Waste Management and Remediation Services	\$ 469,627	\$ 309,587	-34.1%
2-digit Total	\$ 16,232,737	\$ 15,858,401	-2.3%
61 Educational Services			
611 Educational Services	\$ 3,411,965	\$ 3,758,415	10.2%
2-digit Total	\$ 3,411,965	\$ 3,758,415	10.2%
62 Health Care and Social Assistance			
621 Ambulatory Health Care Services	\$ 1,192,193	\$ 829,067	-30.5%
622 Hospitals	\$ 1,159,663	\$ 1,161,930	0.2%
623 Nursing and Residential Care Facilities	\$ 67,305	\$ 70,493	4.7%
624 Social Assistance	\$ 467,735	\$ 501,109	7.1%
2-digit Total	\$ 2,886,896	\$ 2,562,599	-11.2%
71 Arts, Entertainment, and Recreation			
711 Performing Arts and Spectator Sports	\$ 2,230,839	\$ 1,979,210	-11.3%
712 Museums, Historical Sites, Zoos, and Parks	\$ 381,038	\$ 387,769	1.8%
713 Amusement, Gambling, and Recreation	\$ 11,134,530	\$ 13,312,771	19.6%
2-digit Total	\$ 13,746,407	\$ 15,679,749	14.1%
72 Accommodation and Food Services			
721 Accommodation	\$ 16,601,284	\$ 17,093,226	3.0%
722 Food Services and Drinking Places	\$ 106,127,216	\$ 113,474,714	6.9%
2-digit Total	\$ 122,728,500	\$ 130,567,940	6.4%
81 Other Services (except Public Administration)			
811 Repair and Maintenance	\$ 30,903,447	\$ 33,535,493	8.5%
812 Personal and Laundry Services	\$ 9,800,797	\$ 10,489,846	7.0%
813 Membership Associations and Organizations	\$ 3,635,607	\$ 2,726,117	-25.0%
814 Private Households	\$ 213,194	\$ 26,202	-87.7%
2-digit Total	\$ 44,553,045	\$ 46,777,657	5.0%
92 Public Administration			
921 Executive, Legislative, & General Government	\$ 6,195,900	\$ 1,572,660	-74.6%
922 Justice, Public Order, and Safety Activities	\$ 2,855,795	\$ 578,471	-79.7%
923 Administration of Human Resource Programs	Confidential	Confidential	
924 Administration of Environmental Programs	\$ 36,156	\$ 39,407	9.0%
926 Administration of Economic Programs	\$ 165,431	\$ 235,979	42.6%
928 National Security and International Affairs	Confidential	Confidential	
2-digit Total	\$ 9,253,281	\$ 2,427,053	-73.8%
99 Unclassified Establishments			
999 Unclassified Establishments	\$ 2,043,472	\$ 4,090,003	100.1%
2-digit Total	\$ 2,043,472	\$ 4,090,003	100.1%
Grand Total	\$ 1,452,302,533	\$ 1,545,573,707	6.4%

Local Sales Tax Rates, Effective Dates and Collections Issued for FY 2002 and FY 2003

Beginning in FY 1999, the revised reports reflect the amount that was issued to the taxing entity during the fiscal year versus the amount distributed based on receipt month.

<u>County/City</u>	<u>Tax Rate</u>	<u>Effective Date</u>	<u>Fiscal Year 2002</u>	<u>Fiscal Year 2003</u>	<u>Percent Change</u>
Allen County	1.00%	10/01/94	\$1,185,928	\$1,226,446	3.4%
Gas	1.00%	01/01/91	\$43,258	\$50,643	17.1%
Humboldt	0.50%	01/01/82	\$51,483	\$49,478	-3.9%
Iola	1.00%	01/01/90	\$841,535	\$859,422	2.1%
Moran	0.50%	07/01/84	\$17,288	\$17,458	1.0%
Anderson County	1.00%	01/01/83	\$617,079	\$598,033	-3.1%
Garnett	0.50%	01/01/99	\$241,644	\$230,726	-4.5%
Kincaid	1.00%	07/01/99	\$4,512	\$4,274	-5.3%
Atchison County	1.50%	07/01/98	\$1,867,867	\$1,926,651	3.1%
Atchison	1.00%	08/01/83	\$1,067,561	\$1,115,895	4.5%
Effingham	1.00%	11/01/83	\$30,497	\$27,964	-8.3%
Barber County	1.00%	02/01/83	\$518,632	\$472,780	-8.8%
Hardtner	0.00%	01/01/02	\$7,584	\$0	N/A
Kiowa	1.00%	01/01/01	\$90,952	\$80,939	-11.0%
Medicine Lodge	0.50%	07/01/91	\$159,463	\$153,627	-3.7%
Barton County	1.25%	04/01/03	\$3,886,931	\$3,697,523	N/A
Great Bend	0.50%	04/01/00	\$1,417,499	\$1,322,093	-6.7%
Bourbon County	1.00%	07/01/01	\$1,092,630	\$1,251,576	14.5%
Bronson	1.00%	01/01/97	\$15,158	\$11,920	-21.4%
Fort Scott	1.00%	01/01/84	\$1,132,536	\$1,082,635	-4.4%
Brown County	1.00%	11/01/82	\$775,122	\$763,220	-1.5%
Hiawatha	0.50%	04/01/03	\$441,772	\$433,312	-1.9%
Horton	1.00%	07/01/87	\$105,511	\$104,015	-1.4%
Butler County					
Andover	1.00%	01/01/01	\$820,280	\$862,257	5.1%
Augusta	0.50%	10/01/91	\$438,690	\$412,323	-6.0%
Benton	1.00%	10/01/99	\$32,154	\$35,696	11.0%
Douglass	1.00%	01/01/95	\$87,693	\$84,886	-3.2%
El Dorado	1.00%	10/01/89	\$1,728,171	\$1,672,212	-3.2%
Rose Hill	1.00%	10/01/00	\$132,257	\$123,139	-6.9%
Towanda	1.00%	07/01/95	\$61,330	\$67,954	10.8%
Chase County	1.00%	01/01/99	\$179,080	\$147,180	-17.8%
Cottonwood Falls	1.00%	01/01/91	\$52,525	\$52,216	-0.6%
Strong City	1.50%	01/01/99	\$115,845	\$50,021	-56.8%
Chautauqua County	1.00%	02/01/83	\$178,720	\$182,107	1.9%
Cedar Vale	1.00%	10/01/97	\$22,598	\$20,073	-11.2%
Sedan	0.50%	11/01/81	\$43,516	\$43,823	0.7%
Cherokee County	1.50%	01/01/03	\$1,139,775	\$1,272,916	NA
Baxter Springs	1.00%	07/01/85	\$307,397	\$317,242	3.2%
Columbus	1.00%	07/01/97	\$407,695	\$401,579	-1.5%
Galena	1.00%	07/01/84	\$128,852	\$128,487	-0.3%
Scammon	1.00%	04/01/88	\$15,800	\$15,748	-0.3%
Weir	1.00%	11/01/84	\$27,194	\$28,915	6.3%
Cheyenne County	2.00%	07/01/96	\$468,942	\$436,916	-6.8%
Clark County					
Minneola	1.00%	07/01/99	\$28,804	\$27,643	-4.0%
Clay County	1.00%	01/01/01	\$689,413	\$692,541	0.5%
Clay Center	1.00%	11/01/84	\$568,043	\$566,810	-0.2%
Longford	1.00%	01/01/89	\$6,035	\$6,218	3.0%
Wakefield	1.00%	11/01/82	\$23,037	\$25,314	9.9%
Cloud County	1.00%	01/01/01	\$1,063,847	\$1,036,835	-2.5%
Concordia	1.00%	02/01/83	\$877,823	\$870,561	-0.8%
Gasco	1.00%	07/01/83	\$18,417	\$19,620	6.5%
Miltonvale	1.00%	07/01/87	\$31,447	\$27,066	-13.9%
Comanche County					
Coldwater	1.00%	07/01/98	\$84,760	\$79,675	-6.0%
Protection	1.00%	01/01/99	\$36,897	\$36,516	-1.0%
Cowley County					
Arkansas City	1.00%	04/01/85	\$1,386,817	\$1,300,839	-6.2%
Burden	1.00%	01/01/96	\$18,767	\$23,274	24.0%
Winfield	1.00%	11/01/84	\$1,390,388	\$1,336,772	-3.9%

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Local Sales Tax Rates, Effective Dates and Collections Issued for FY 2002 and FY 2003

Beginning in FY 1999, the revised reports reflect the amount that was issued to the taxing entity during the fiscal year versus the amount distributed based on receipt month.

<u>County/City</u>	Tax	Effective	Fiscal Year	Fiscal Year	<u>Percent Change</u>
	<u>Rate</u>	<u>Date</u>	<u>2002</u>	<u>2003</u>	
Crawford County	1.00%	07/01/01	\$4,196,630	\$3,734,430	-11.0%
Arma	0.50%	11/01/82	\$44,376	\$43,678	-1.6%
Frontenac	1.00%	01/01/95	\$382,892	\$350,883	-8.4%
Girard	1.00%	01/01/01	\$261,327	\$215,744	-17.4%
Pittsburg	0.50%	10/01/99	\$1,314,996	\$1,307,060	-0.6%
Decatur County	1.00%	11/01/84	\$216,614	\$189,763	-12.4%
Dickinson County	1.00%	07/01/97	\$1,704,944	\$1,604,371	-5.9%
Abilene	0.75%	10/01/00	\$780,401	\$726,513	-6.9%
Herington	1.00%	10/01/00	\$176,596	\$169,279	-4.1%
Doniphan County	1.00%	10/01/94	\$367,807	\$358,704	-2.5%
Elwood	1.00%	11/01/84	\$98,658	\$93,167	-5.6%
Douglas County	1.00%	01/01/95	\$11,714,705	\$11,886,158	1.5%
Baldwin City	1.00%	07/01/91	\$234,825	\$250,805	6.8%
Eudora	0.50%	11/01/82	\$84,827	\$87,067	2.6%
Lawrence	1.00%	10/01/90	\$10,730,359	\$10,876,300	1.4%
Edwards County	1.00%	11/01/83	\$178,249	\$171,900	-3.6%
Elk County	1.00%	11/01/82	\$187,150	\$165,656	-11.5%
Ellis County					
Ellis	1.00%	11/01/83	\$103,088	\$109,350	6.1%
Hays	1.00%	04/01/03	\$5,900,749	\$5,875,624	NA
Ellsworth County	0.50%	01/01/97	\$212,232	\$199,836	-5.8%
Ellsworth	1.25%	07/01/00	\$336,645	\$312,293	-7.2%
Kanopolis	1.00%	07/01/85	\$23,415	\$19,506	-16.7%
Wilson	1.00%	09/01/83	\$44,430	\$43,132	-2.9%
Finney County	0.75%	07/01/95	\$3,922,807	\$3,711,413	-5.4%
Garden City	1.00%	07/01/94	\$4,233,509	\$4,130,921	-2.4%
Ford County	1.00%	10/01/97	\$4,062,366	\$4,054,800	-0.2%
Dodge City	1.00%	10/01/97	\$3,727,106	\$3,695,598	-0.8%
Franklin County	1.50%	01/01/93	\$3,547,347	\$3,553,543	0.2%
Ottawa	0.60%	07/01/01	\$1,054,502	\$1,098,783	4.2%
Pomona	1.00%	07/01/99	\$35,651	\$37,547	5.3%
Princeton	0.50%	07/01/95	\$5,034	\$5,556	10.4%
Wellsville	0.50%	01/01/93	\$51,019	\$50,132	-1.7%
Williamsburg	1.00%	10/01/96	\$13,139	\$15,227	15.9%
Geary County	1.25%	04/01/93	\$3,063,242	\$3,078,964	0.5%
Grandview Plaza	1.00%	04/01/99	\$42,635	\$40,104	-5.9%
Junction City	1.00%	11/01/82	\$2,229,249	\$2,239,717	0.5%
Gove County	1.00%	11/01/84	\$296,792	\$273,622	-7.8%
Grinnell	0.50%	01/01/03		\$2,769	NA
Graham County					
Hill City	1.00%	07/01/85	\$188,700	\$187,036	-0.9%
Morland	1.00%	10/01/96	\$9,452	\$10,068	6.5%
Grant County					
Ulysses	1.00%	11/01/83	\$716,541	\$666,200	-7.0%
Gray County	1.00%	02/01/83	\$472,788	\$422,841	-10.6%
Greeley County	1.00%	11/01/82	\$117,854	\$101,871	-13.6%
Greenwood County	1.00%	07/01/95	\$451,549	\$447,833	-0.8%
Eureka	0.00%	07/01/95	\$40	\$0	NA
Hamilton County	0.50%	01/01/93	\$101,687	\$94,472	-7.1%
Syracuse	1.00%	06/01/84	\$148,419	\$141,967	-4.3%
Harper County					
Harper	1.00%	01/01/01	\$165,818	\$221,439	33.5%
Anthony	1.50%	01/01/01	\$342,334	\$335,810	-1.9%
Harvey County	1.00%	07/01/86	\$3,421,663	\$3,300,208	-3.5%
Haskell County	0.50%	01/01/83	\$142,313	\$143,158	0.6%
Satanta	0.50%	01/01/87	\$39,642	\$46,816	18.1%
Sublette	0.50%	01/01/83	\$53,905	\$55,959	3.8%
Jackson County	1.00%	07/01/94	\$1,022,836	\$1,011,506	-1.1%
Holton	0.25%	01/01/95	\$196,701	\$191,662	-2.6%

Local Sales Tax Rates, Effective Dates and Collections Issued for FY 2002 and FY 2003

Beginning in FY 1999, the revised reports reflect the amount that was issued to the taxing entity during the fiscal year versus the amount distributed based on receipt month.

County/City	Tax Rate	Effective Date	Fiscal Year		Percent Change
			2002	2003	
Jefferson County	2.00%	01/01/94	\$783,694	\$801,130	2.2%
Perry	0.50%	07/01/81	\$40,419	\$38,077	-5.8%
Jewell County	1.00%	02/01/83	\$163,150	\$157,354	-3.6%
Johnson County	1.100%	01/01/03	\$83,389,916	\$80,722,922	NA
De Soto	1.75%	07/01/02	\$239,210	\$407,823	NA
Edgerton	1.00%	07/01/85	\$35,696	\$38,117	6.8%
Fairway	1.00%	07/01/86	\$319,957	\$292,685	-8.5%
Gardner	1.00%	01/01/89	\$793,516	\$851,542	7.3%
Leawood	1.125%	07/01/00	\$4,427,724	\$4,399,142	-0.6%
Lenexa	1.125%	10/01/00	\$11,720,434	\$11,106,968	-5.2%
Merriam	1.25%	01/01/01	\$6,199,947	\$5,827,251	-6.0%
Mission	1.25%	10/01/02	\$2,121,564	\$2,615,704	NA
Olathe	1.125%	04/01/00	\$20,637,277	\$21,094,858	2.2%
Overland Park	1.125%	04/01/99	\$35,879,471	\$36,875,784	2.8%
Prairie Village	1.00%	02/01/84	\$1,922,305	\$1,833,595	-4.6%
Roeland Park	1.25%	04/01/03	\$1,083,293	\$1,022,365	NA
Shawnee	1.125%	07/01/85	\$8,108,671	\$8,222,260	1.4%
Spring Hill	1.00%	02/01/84	\$290,725	\$288,616	-0.7%
Westwood	1.00%	02/01/84	\$223,377	\$196,040	-12.2%
Westwood Hills	1.00%	02/01/84	\$15,135	\$17,913	18.4%
Kearny County					
Deerfield	1.00%	10/01/94	\$21,824	\$20,179	-7.5%
Lakin	1.00%	07/01/83	\$134,211	\$130,126	-3.0%
Kingman County					
Spivey	0.50%	01/01/79	\$28,676	\$22,197	-22.6%
Kiowa County	1.00%	11/01/82	\$240,952	\$244,587	1.5%
Labette County	1.25%	07/01/01	\$2,155,140	\$2,255,728	4.7%
Altamont	1.00%	07/01/99	\$53,658	\$45,503	-15.2%
Chetopa	1.50%	01/01/02	\$93,092	\$119,162	28.0%
Edna	1.00%	01/01/89	\$25,498	\$27,211	6.7%
Oswego	1.00%	07/01/95	\$116,079	\$118,728	2.3%
Parsons	1.00%	01/01/97	\$1,394,984	\$1,316,807	-5.6%
Lane County					
Dighton	1.00%	07/01/83	\$88,414	\$90,627	2.5%
Leavenworth County	1.00%	01/01/97	\$4,636,090	\$4,835,236	4.3%
Basehor	1.00%	10/01/95	\$77,440	\$91,946	18.7%
Easton	1.00%	07/01/85	\$12,903	\$10,722	-16.9%
Lansing	1.00%	01/01/89	\$598,060	\$620,584	3.8%
Leavenworth	1.00%	03/01/85	\$3,209,170	\$3,341,271	4.1%
Linwood	1.00%	04/01/03		\$494	NA
Tonganoxie	1.00%	07/01/89	\$321,497	\$311,800	-3.0%
Lincoln County	1.00%	02/01/83	\$190,108	\$172,410	-9.3%
Linn County					
La Cygne	1.00%	10/01/88	\$86,200	\$104,837	21.6%
Mound City	1.00%	07/01/93	\$95,526	\$92,642	-3.0%
Pleasanton	1.00%	10/01/95	\$145,037	\$133,427	-8.0%
Logan County	1.00%	11/01/82	\$289,760	\$255,658	-11.8%
Lyon County	0.50%	07/01/99	\$1,972,149	\$1,927,945	-2.2%
Americus	0.50%	04/01/87	\$13,477	\$12,921	-4.1%
Emporia	1.00%	01/01/95	\$3,716,665	\$3,635,602	-2.2%
McPherson County	1.00%	07/01/82	\$3,224,123	\$2,957,139	-8.3%
Lindsborg	1.00%	07/01/00	\$214,200	\$218,709	2.1%
McPherson	0.50%	10/01/02		\$500,828	NA
Marion County	1.00%	07/01/87	\$819,585	\$796,761	-2.8%
Hillsboro	0.50%	05/01/85	\$173,945	\$164,120	-5.6%
Marion	0.75%	07/01/01	\$107,169	\$130,442	21.7%
Marshall County					
Frankfort	1.00%	04/01/03		\$5,085	NA
Marysville	1.00%	10/01/99	\$576,352	\$576,881	0.1%
Meade County	1.00%	11/01/84	\$288,810	\$285,063	-1.3%
Miami County	1.25%	01/01/01	\$2,903,603	\$3,010,015	3.7%
Fontana	0.50%	07/01/97	\$2,049	\$2,104	2.7%
Louisburg	1.00%	01/01/97	\$453,585	\$476,144	5.0%
Osawatomie	0.50%	07/01/81	\$126,951	\$118,203	-6.9%
Paola	1.00%	10/01/96	\$993,777	\$1,042,270	4.9%
Mitchell County	1.00%	11/01/82	\$724,263	\$731,500	1.0%
Beloit	0.50%	07/01/01	\$216,304	\$270,952	25.3%
Montgomery County	0.00%	10/01/02	\$3,754,916	\$1,595,094	NA

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Local Sales Tax Rates, Effective Dates and Collections Issued for FY 2002 and FY 2003

Beginning in FY 1999, the revised reports reflect the amount that was issued to the taxing entity during the fiscal year versus the amount distributed based on receipt month.

<u>County/City</u>	<u>Tax Rate</u>	<u>Effective Date</u>	<u>Fiscal Year</u>		<u>Percent Change</u>
			<u>2002</u>	<u>2003</u>	
Caney	2.75%	04/01/03	\$219,189	\$225,939	NA
Cherryvale	1.75%	07/01/01	\$226,898	\$243,841	7.5%
Coffeyville	2.50%	10/01/02	\$1,994,068	\$2,702,008	NA
Dearing	1.00%	04/01/03		\$2,041	NA
Independence	2.25%	10/01/02	\$2,574,350	\$3,313,595	N/A
Morris County	1.00%	11/01/82	\$459,779	\$438,455	-4.6%
Morton County					
Elkhart	1.00%	01/01/95	\$253,529	\$213,846	-15.7%
Rolla	1.00%	01/01/97	\$22,958	\$23,842	3.9%
Nemaha County	1.00%	11/01/82	\$828,493	\$816,886	-1.4%
Sabetha	0.50%	07/01/91	\$171,220	\$164,230	-4.1%
Neosho County	1.00%	10/01/00	\$1,844,416	\$1,896,041	2.8%
Chanute	1.00%	11/01/87	\$1,506,461	\$1,555,209	3.2%
Erie	1.00%	01/01/88	\$97,091	\$104,126	7.2%
Saint Paul	1.00%	04/01/98	\$38,165	\$34,268	-10.2%
Thayer	1.00%	07/01/95	\$30,607	\$29,502	-3.6%
Ness County					
Ness City	1.00%	10/01/02		\$85,436	NA
Ransom	0.50%	10/01/93	\$13,749	\$14,023	2.0%
Norton County					
Almena	0.50%	04/01/03		\$698	NA
Norton	0.50%	04/01/93	\$197,261	\$178,003	-9.8%
Osage County	1.00%	11/01/82	\$890,879	\$861,572	-3.3%
Lyndon	1.00%	01/01/99	\$91,432	\$78,690	-13.9%
Overbrook	1.00%	01/01/99	\$79,488	\$77,575	-2.4%
Osborne County	0.50%	01/01/83	\$172,200	\$172,406	0.1%
Ottawa County	1.00%	06/01/01	\$310,304	\$284,393	-8.4%
Delphos	1.00%	11/01/84	\$14,584	\$15,187	4.1%
Minneapolis	0.50%	07/01/01	\$66,883	\$82,893	23.9%
Pawnee County	1.00%	07/01/83	\$562,050	\$512,642	-8.8%
Phillips County					
Glade	1.00%	01/01/01	\$10,996	\$9,645	-12.3%
Phillipsburg	1.00%	07/01/01	\$321,112	\$335,904	4.6%
Pottawatomie County					
Onaga	1.00%	11/01/82	\$45,693	\$44,847	-1.9%
Saint Marys	1.00%	11/01/84	\$238,081	\$247,168	3.8%
Wamego	1.75%	01/01/93	\$700,275	\$724,177	3.4%
Westmoreland	1.00%	01/01/93	\$28,837	\$28,535	-1.0%
Pratt County	1.00%	07/01/82	\$1,270,890	\$1,311,386	3.2%
Pratt	0.50%	10/01/02	\$260,628	\$431,942	N/A
Rawlins County	1.00%	02/01/83	\$173,705	\$165,311	-4.8%
Reno County	1.00%	07/01/86	\$8,139,302	\$8,219,242	1.0%
Hutchinson	0.75%	04/01/94	\$5,041,578	\$5,120,937	1.6%
South Hutchinson	0.50%	01/01/93	\$179,363	\$171,014	-4.7%
Republic County	1.00%	11/01/82	\$423,066	\$404,557	-4.4%
Rice County	1.00%	11/01/82	\$705,125	\$665,121	-5.7%
Lyons	0.50%	07/01/01	\$90,825	\$158,458	NA
Riley County	1.00%	01/01/99	\$5,290,847	\$5,282,782	-0.2%
Manhattan	1.00%	01/01/99	\$6,425,893	\$6,341,630	-1.3%
Ogden	1.00%	11/01/82	\$45,542	\$45,774	0.5%
Riley	1.00%	07/01/92	\$46,390	\$46,310	-0.2%
Plainville	1.00%	04/01/97	\$233,744	\$223,117	-4.5%
Stockton	1.50%	01/01/99	\$208,986	\$187,522	-10.3%
Rooks County	0.00%	10/01/00	\$3,124	\$1,917	NA
Rush County					
La Crosse	1.00%	01/01/96	\$91,397	\$88,119	-3.6%
Russell County	1.00%	04/01/88	\$957,314	\$932,171	-2.6%
Saline County	1.00%	06/01/95	\$8,869,556	\$8,874,035	0.1%
Salina	0.75%	01/01/99	\$6,227,232	\$6,278,944	0.8%
Scott County	1.00%	05/01/82	\$578,823	\$509,477	-12.0%
Sedgwick County	1.00%	10/01/85	\$66,975,030	\$67,731,322	1.1%
Derby	0.50%	04/01/03		\$91,986	NA
Seward County	1.00%	11/01/00	\$3,398,935	\$3,257,731	-4.2%
Liberal	1.00%	10/01/94	\$3,172,578	\$3,074,004	-3.1%
Shawnee County	0.90%	07/01/99	\$24,292,547	\$22,899,469	-5.7%
Auburn	1.00%	07/01/84	\$75,190	\$72,287	-3.9%
Rossville	1.00%	10/01/86	\$77,469	\$81,444	5.1%
Topeka	1.00%	11/01/82	\$23,093,299	\$23,263,248	0.7%

Local Sales Tax Rates, Effective Dates and Collections Issued for FY 2002 and FY 2003

Beginning in FY 1999, the revised reports reflect the amount that was issued to the taxing entity during the fiscal year versus the amount distributed based on receipt month.

<u>County/City</u>	<u>Tax Rate</u>	<u>Effective Date</u>	<u>Fiscal Year</u>		<u>Percent Change</u>
			<u>2002</u>	<u>2003</u>	
Sheridan County	1.00%	01/01/99	\$203,100	\$190,626	-6.1%
Sherman County	1.50%	10/01/98	\$1,424,914	\$1,108,980	-22.2%
Smith County					
Smith Center	0.50%	01/01/01	\$94,306	\$95,546	1.3%
Stafford County	1.00%	11/01/84	\$260,713	\$244,632	-6.2%
Stanton County	1.00%	11/01/84	\$139,339	\$123,623	-11.3%
Stevens County					
Hugoton	1.00%	01/01/94	\$336,241	\$302,600	-10.0%
Sumner County					
Argonia	1.00%	01/01/91	\$18,033	\$20,886	15.8%
Belle Plaine	1.00%	10/01/89	\$95,839	\$84,356	-12.0%
Caldwell	1.00%	11/01/82	\$84,944	\$78,213	-7.9%
Conway Springs	1.00%	10/01/89	\$52,004	\$51,217	-1.5%
Mayfield	0.50%	11/01/82	\$3,251	\$3,416	5.1%
Oxford	1.00%	11/01/84	\$71,171	\$58,026	-18.5%
Wellington	1.25%	01/01/94	\$1,178,315	\$1,125,701	-4.5%
Thomas County					
Colby	0.00%	01/01/99	\$1,852	\$2,929	NA
Trego County					
Collyer	1.00%	01/01/01	\$3,509	\$3,495	-0.4%
Wakeeney	1.00%	02/01/83	\$222,503	\$234,696	5.5%
Wabaunsee County					
Maple Hill	0.75%	01/01/03		\$324,904	NA
Paxico	1.00%	10/01/96	\$7,849	\$9,717	23.8%
Washington County					
Washington	1.00%	02/01/83	\$356,514	\$355,964	-0.2%
Wichita County					
Wichita	2.00%	01/01/96	\$360,151	\$286,372	-20.5%
Wilson County					
Wilson	1.00%	10/01/00	\$578,977	\$593,394	2.5%
Fredonia	1.00%	01/01/86	\$250,297	\$259,590	3.7%
Neodesha	2.00%	10/01/92	\$343,340	\$337,017	-1.8%
Woodson County					
Yates Center	1.75%	01/01/02	\$150,874	\$207,459	37.5%
Toronto	0.50%	11/01/82	\$7,448	\$6,939	-6.8%
Wyandotte County					
Wyandotte	1.00%	01/01/84	\$14,614,727	\$15,514,829	6.2%
Bonner Springs	1.00%	01/01/86	\$1,305,289	\$1,506,539	15.4%
Edwardsville	1.00%	01/01/86	\$152,758	\$133,772	-12.4%
Kansas City	1.00%	01/01/84	\$13,097,495	\$13,733,107	4.9%
Grand Total			\$524,792,979	\$529,588,661	0.9%
<u>Amounts Co/Cty</u>					
All Counties			\$304,185,323	\$298,080,310	-2.0%
All Cities			<u>\$227,178,289</u>	<u>\$231,508,351</u>	<u>1.9%</u>
Total Locals			\$531,363,612	\$529,588,661	-0.3%
<u>Numbers Co/Cty</u>					
All Counties			78	76	-2.6%
All Cities			<u>179</u>	<u>187</u>	<u>4.5%</u>
Total Locals			257	263	2.3%

·ALL cities within counties with a local tax are subject to the countywide tax as well as to any city tax
·NC indicates Not Comparable because of a new, increased, decreased or repealed tax rate.
·Totals may not add due to rounding

State Sales Tax Exemptions Summary

Statute	Description of Exemption or Exclusion	Recent Revision	FY2 (\$ in Millions)
Tax Rate			5.3%
Annual Rate of Increase			
3602 (e)	Definition of retail sales, exempting wholesale sales and sales for resale		\$ -
3603 (b)	Taxes telephone and telegraph services except creation WATS and private data lines. Bundling of services added in 2001. Modified pre-paid calling cards - revolved phrase dealing with sold in minutes (no fiscal impact).	Rev 2001 SB 1 Rev 2002 SB 39	\$ 1,217
3603 (e)	Admission to any cultural and historical event which occurs triennially	Revised 1994	Minimal
3603 (f)	Coin operated Laundry Services		\$ 0.309
3603 (g)	Service of renting of rooms by holds or accommodation brokers to federal government or any federal employee in performance of official government duties.	2002 SB39	\$ 0.100
3603 (h)	Service of leasing or renting machinery and equipment owned by city purchased with industrial revenue bonds prior to July 1, 1973		\$ -
3603 (m)	Fees and charges by any political subdivision, youth recreation organization exclusively providing services to persons 18 or younger organized as a 501(c)(3) for sports, games and other recreational activities and entry fees and charges for participation.	Revised 1994 1998 SB493	\$ 0.762
3603 (n)	Dues charged by any organization pursuant to paragraph 8 and 9 of 79-201 (veteran & humanitarian organizations) and zoos	1998 SB493	\$ 0.281
3603 (n)	Attributable to veterans	1998 SB493	\$ 0.104
3603 (n)	Attributable to humanitarians	1998 SB493	\$ 0.050
3603 (n)	Attributable to nonprofit zoo.	1998 SB493	\$ 0.127
3603 (o)	Motor vehicles exchanged for corporate stock, corporate transfer to itself and immediate family member sales.		\$ 0.176
3603 (o)	In 2004, changed the way sales tax computed on isolated and occasional sales of vehicles. Estimated to generate \$2 million annually	2004 SB 147	
3603 (p)	Labor services of installing or applying property in original construction of a building or facility or the construction reconstruction, restoration, replacement or repair of a residence, bridge or highway	1998 SB493	\$ 76.539
3603 (q)	Exemption for Service of repairing, servicing, maintaining custom computer software as described in section 3603 (s)	1988 Amended 2002 SB39	\$ -
3603 (s)	Customized computer software and services for modifying software for single end use and billed as a separate invoiced item. In 2004, amended to tax only prewritten software. Custom software is exempt	1988 Amended 2002 SB39, 2004SB 147	\$ 19.229
3603 (v)	Sales of bingo cards, bingo faces and instant bingo tickets. Tax rate 2.5 on July 1, 2001 to June 30, 2002; exempt on July 1, 2002	2000 HB 2013	\$ 2.301
3606 (a)	Motor fuels and items taxed by sales or excise tax	1999	\$ 195.777
3606 (b)	Property or services purchases by State of Kansas, political subdivision, nonprofit hospital or blood/donor bank. In 2001, deleted sales of water to make purchases for water suppliers exempt. (Neutral FN due to Clean Water Fee)	2001 SB 332	\$ 278.597
3606 (c)	Property or services purchased and leasing by elementary or secondary schools and educational institutions		\$ 49.232
3606 (d)	Property or services purchased by contractor for building or repair of buildings for nonprofit hospital, elementary or secondary schools or nonprofit educational institutions		\$ 100.155
3606 (e)	Property or services purchases by federal government, its agencies or instrumentality's		\$ 4.661
3606 (f)	Property purchased by railroad or public utility for use in the movement of interstate commerce		\$ 13.078
3606 (g)	Sales, repair or modification of aircraft sold for interstate commerce directly through an authorized agent. IN 2004, expanded aircraft exemption for repair, modification plus parts and labor	1998 SB493, 2004 SB 147	\$ 5.467
3606 (h)	Rental of nonsectarian textbooks by elementary or secondary schools		\$ 0.805
3606 (i)	Lease or rental of films, records, tapes, etc. by motion picture exhibitors		\$ 1.438
3606 (j)	Meals served without charge to employees if duties include furnishing or sale of such meals or drinks		\$ 3.186
3606 (k)	Vehicles, trailers or aircraft purchased and delivered out of state to a nonresident		\$ 12.998
3606 (l)	Isolated or occasional sales, except motor vehicles		\$ -
3606 (m)	Property which becomes an ingredient or component part of property or services produced or manufactured for ultimate sale at retail		\$ 1,892.846
3606 (n)	Property consumed in the production, manufacturing, processing, mining, drilling, refining or compounding of property; or irrigation of crops for ultimate sale at retail. In 2000, added provision to eliminate refunds from the Johnson County Water case sav		\$ 248.350
3606 (o)	Sales of animals, fowl, aquatic plants, and animals used in agriculture or aquaculture, for production of food for human consumption, the production of animal, dairy, poultry, or aquatic products, fiber or fur or the production of offspring.		\$ 139.782
3606 (p)	Sales for prescription drugs	1999 SB 45	\$ 59.239
3606 (q)	Sales of insulin dispensed by pharmacist for treatment of diabetes		\$ 0.457
3606 (r)	Sales of prosthetic or orthopedic appliances prescribed by a doctor. IN 2004, exempted all hearing aids, prats and batteries by licensed providers	Amended 1997, 2004 SB 147	\$ 6.890
3606 (s)	Sales of property or services purchased by a groundwater management district		\$ 0.035
3606 (t)	Sales of farm or aquaculture machinery and equipment, parts and services for repair and replacement		\$ 40.300
3606 (u)	Leases or rentals of property used as a dwelling for more than 28 consecutive days.		\$ 0.614
3606 (v)	Sales of food products purchased by contractor for use in preparing meals for delivery to homebound elderly persons. In 2004, expanded exemption to all personal property purchased by contractor and sales of food products by or on behalf of contractor or organization	2004 SB 147	\$ 0.699
3606 (w)	Sales of natural gas, electricity, heat, & water delivered through mains, lines or pipes to residential premises for noncommercial use, for agricultural use (to include propane gas),for use in severing oil and any property exempt from property taxation		\$ 72.178
3606 (x)	Sales of propane, gas, LP-gas, coal, wood, and other fuel sources for the production of heat or lighting for noncommercial use in a residential premise		\$ 13.748
3606 (y)	Sales of materials and services used in repairing, maintaining, etc., of railroad rolling stock used in interstate commerce		
3606 (z)	Property and services purchased directly by a port authority or a contractor therefor.		

Hs Taxation Committee
January 20, 2005
Attachment 3

State Sales Tax Exemptions Summary

Statute	Description of Exemption or Exclusion	Recent Revision	FY. (\$ in Millions)
Tax Rate			5.3%
Annual Rate of Increase			
3606 (aa)	Materials and services brought into Kansas for usage outside of Kansas for repair, services, alteration, maintenance, etc. used for the transmission of liquids or national gas by a pipeline in interstate commerce		Minimal
3606 (bb)	Used mobile and manufactured homes		\$ 3.733
3606 (cc)	Property or services purchased for constructing, reconstructing, enlarging or remodeling a business; sale and installation of machinery and equipment purchased for installation in such business. (Enterprise Zone Exemption)		\$ 55.213
3606 (dd)	Property purchased with food stamps issued by US Department of Agriculture		\$ 6.384
3606 (ee)	Lottery tickets and shares made as part of a lottery operated by the State of Kansas		\$ 10.495
3606 (ff)	New mobile or manufactured homes to the extent of 40% of the gross receipts		\$ 2.737
3606 (gg)	Property purchased with vouchers issued pursuant to the federal special supplemental food program for women, infants and children		n/a
3606 (hh)	Medical supplies and equipment purchased by nonprofit skilled nursing home or intermediate nursing care home for providing medical services to residents		\$ 0.877
3606 (ii)	Property purchased by nonprofit organization for nonsectarian comprehensive multidiscipline youth development programs and activities and sales of property by or on behalf of such organization	1998 SB493	\$ 2.212
3606 (jj)	Property and services, includes leasing of property, purchased for community-based mental retardation facility or mental health center.	2004 SB 147	\$ 2.031
3606(kk)	Machinery and equipment used directly and primarily in the manufacture, assemblage, processing, finishing, storing, warehousing or distributing of property for resale by the plant or facility. In 2004, added exemption for building new facility in Riverton Ks (minimal impact)	1998 HB2584	\$ 97.508
3606(kk)	This is the impact from the changes made in 1998		\$ 2.031
3606 (ll)	Educational materials purchased for distribution to the public at no charge by a nonprofit public health corporation		\$ 0.068
3606 (mm)	Seeds, tree seedlings, fertilizers, insecticides, etc., and services purchased and used for producing plants to prevent soil erosion on land devoted to agricultural use.	1988 HB2626	\$ 0.805
3606 (nn)	Services rendered by advertising agency or broadcast station		\$ 3.566
3606 (oo)	Property purchased by a community action group or agency to repair or weatherize housing occupied by low income individuals.		Minimal
3606 (pp)	Drill bits and explosives used in the exploration and production of oil or gas		\$ 0.339
3606 (qq)	Property and services purchased by a nonprofit museum or historical society which is organized under the federal income taxation code as a 501 (c)(3)		\$ 0.332
3606 (rr)	Property which will admit purchases to an annual event sponsored by a nonprofit organization organized under the federal income taxation code as a 501 (c)(3)		\$ 0.028
3606 (ss)	Property and services purchased by a public broadcasting station licensed by FCC as a noncommercial educational television or radio station.		Minimal
3606 (tt)	Property and services purchased by not-for-profit corporation for the sole purpose of constructing a Kansas Korean War memorial and is organized under the federal income taxation code as a 501 (c)(3)	1996 HB2656	\$ -
3606 (uu)	Property and services purchased by rural fire fighting organization	1997 SB184	Minimal
3606 (vv)	Property purchased by the following organizations who are organized under the federal income taxation code as a 501 (c)(3): American Heart Association, Kansas Affiliate; Kansas Alliance for the Mentally Ill, Inc.; Kansas Mental Illness Awareness Council; in 2004 added: Heartstrings Community Foundation, Cystic Fibrosis, Spina Bifida Assn,	1997 SB184, 2001 HB 2029, 2004 SB 147	\$ 0.079
3606 (ww)	Property purchased by the Habitat for Humanity for use within a housing project	1997 SB184	\$ 0.097
3606 (xx)	Property and services purchases by nonprofit zoo or on behalf of a zoo by an entity that is a 501(c)(3)	1998 SB493	\$ 0.508
3606 (yy)	Property and services purchased by a parent-teach association or organizations and all sales of tangible personal property by or on behalf of such association	1998 SB493	\$ 0.477
3606 (zz)	Machinery and equipment purchased by over-the-air free access radio or television station used directly and primarily for producing signal or the electricity essential for producing the signal.	1998 SB493	\$ 0.801
3606 (aaa)	Property and services purchased by religious organizations and used exclusively for religious purposes	1998 SB493	\$ 14.609
3606 (bbb)	Sales of food for human consumption by organizations exempt by 501(c)(3) pursuant to food distribution programs which offers such food at a price below cost in exchange for the performance of community service by the purchaser.	1998 SB493	Minimal
3606 (ccc)	Property and services purchases by health care centers and clinics who are serving the medically underserved.	1999 SB 45	\$ 0.318
3606 (ddd)	Property and services purchases by any class II or III railroad (shortline) for track and facilities used directly in interstate commerce. Only for calendar year 1999.	1999 SB 45	n/a
3606 (eee)	Property and services purchases for reconstruction, reconstruction, renovation, repair of grain storage facilities or railroad sidings. Only for calendar year 1999 and 2000.	1999 SB 45, 2000 SB 59	n/a
3606 (fff)	Material handling equipment, racking systems & other related machinery & equipment used for the handling, movement or storage of tangible personal property in a warehouse or distribution facility; installation, repair, maintenance services, and replacement parts.	2000 HB 2011	\$ 5.280
3606 (ggg)	Property and services purchased by or on behalf of the Kansas Academy of Science.	2000 SB 59	Minimal
3606 (hhh)	Property and services purchased by or on behalf of Domestic Violence Shelters as members of the Kansas coalition against Sexual and Domestic Violence	2004 SB 147	
	Total		\$ 3,453.043

Updated through 2004 Legislative changes.

liability of a taxpayer imposed under the Kansas income tax act an amount equal to 20% of the property tax levied for property tax years 2005 and 2006, and 25% of the property tax levied for property tax year 2007 and all such years thereafter, actually and timely paid during an income taxable year upon railroad machinery and equipment classified for property tax purposes pursuant to section 1 of article 11 of the Kansas constitution in subclass (3) of class 2. ~~Prior to the 2004 legislative session, the joint committee on economic development shall conduct a study of the economic impact of the foregoing provision.~~ If the amount of such tax credit exceeds the taxpayer's income tax liability for the taxable year, the amount thereof which exceeds such tax liability shall be refunded to the taxpayer. If the taxpayer is a corporation having an election in effect under subchapter S of the federal internal revenue code, a partnership or a limited liability company, the credit provided by this section shall be claimed by the shareholders of such corporation, the partners of such partnership or the members of such limited liability company in the same manner as such shareholders, partners or members account for their proportionate shares of the income or loss of the corporation, partnership or limited liability company. *The secretary of revenue shall adopt rules and regulations regarding the filing of documents that support the amount of credit claimed pursuant to this section.*

Sec. 7. K.S.A. 2003 Supp. 79-3603, as amended by section 2 of 2004 Senate Bill No. 384, 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 at the rate of 5.3%. Within a redevelopment district established pursuant to K.S.A. 74-8921, and amendments thereto, there is hereby levied and there shall be collected and paid an additional tax at the rate of 2% until the earlier of the date the bonds issued to finance or refinance the redevelopment project have been paid in full or the final scheduled maturity of the first series of bonds issued to finance any part of the project upon:

(a) The gross receipts received from the sale of tangible personal property at retail within this state;

(b) (1) the gross receipts from intrastate telephone or telegraph services; (2) the gross receipts received from the sale of interstate telephone or telegraph services, which (A) originate within this state and terminate outside the state and are billed to a customer's telephone number or account in this state; or (B) originate outside this state and terminate within this state and are billed to a customer's telephone number or account in this state except that the sale of interstate telephone or telegraph service does not include: (A) Any interstate incoming or outgoing wide area telephone service or wide area transmission type service which entitles the subscriber to make or receive an unlimited number of communications to or from persons having telephone service in a specified area which is outside the state in which the station provided this service is located; (B) any interstate private communications service to the persons contracting for the receipt of that service that entitles the purchaser to exclusive or priority use of a communications channel or group of channels between exchanges; (C) any value-added nonvoice service in which computer processing applications are used to act on the form, content, code or protocol of the information to be transmitted; (D) any telecommunication service to a provider of telecommunication services which will be used to render telecommunications services, including carrier access services; or (E) any service or transaction defined in this section among entities classified as members of an affiliated group as provided by section 1504 of the federal internal revenue code of 1986, as in effect on January 1, 2001; and (3) the gross receipts from the provision of services taxable under this subsection which are billed on a combined basis with nontaxable services, shall be accounted for and the tax remitted as follows: The taxable portion of the selling price of those combined services shall include only those charges for taxable services if the selling price for the taxable services can be readily distinguishable in the retailer's books and records from the selling price for the nontaxable services. Otherwise, the gross receipts from the sale of both taxable and nontaxable services billed on a combined basis shall be deemed attributable to the

taxable services included therein. Within 90 days of billing taxable services on a combined basis with nontaxable services, the retailer shall enter into a written agreement with the secretary identifying the methodology to be used in determining the taxable portion of the selling price of those combined services. The burden of proving that any receipt or charge is not taxable shall be upon the retailer. Upon request from the customer, the retailer shall disclose to the customer the selling price for the taxable services included in the selling price for the taxable and nontaxable services billed on a combined basis;

(c) 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, except that, on and after January 1, 2006, for sales of gas, electricity and heat delivered through mains, lines or pipes to residential premises for noncommercial use by the occupant of such premises, and for agricultural use and also, for such use, all sales of propane gas, the state rate shall be 0%; and for 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, the state rate shall be 0%, but such tax shall not be levied and collected upon the gross receipts from: (1) The sale of a rural water district benefit unit; (2) a water system impact fee, system enhancement fee or similar fee collected by a water supplier as a condition for establishing service; or (3) connection or reconnection fees collected by a water supplier;

(d) the gross receipts from the sale of meals or drinks furnished at any private club, drinking establishment, catered event, restaurant, eating house, dining car, hotel, drugstore or other place where meals or drinks are regularly sold to the public;

(e) 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 sales of admissions to any cultural and historical event which occurs triennially;

(f) 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) the gross receipts from the service of renting of rooms by hotels, as defined by K.S.A. 36-501 and amendments thereto, or by accommodation brokers, as defined by K.S.A. 12-1692, and amendments thereto but such tax shall not be levied and collected upon the gross receipts received from sales of such service to the federal government and any agency, officer or employee thereof in association with the performance of official government duties;

(h) 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 through 12-1749, and amendments 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 from the sales tax refund fund of all taxes paid thereon;

(i) 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) the gross receipts from the rendering of the services of washing and waxing of vehicles;

(k) the gross receipts from cable, community antennae and other subscriber radio and television services;

(l) (1) except as otherwise provided by paragraph (2), the gross receipts received from the sales of tangible personal property to all contractors, subcontractors or repairmen for use by them in erecting structures, or building on, or otherwise improving, altering, or repairing real or personal property.

(2) Any such contractor, subcontractor or repairman who maintains an inventory of such property both for sale at retail and for use by them

for the purposes described by paragraph (1) shall be deemed a retailer with respect to purchases for and sales from such inventory, except that the gross receipts received from any such sale, other than a sale at retail, shall be equal to the total purchase price paid for such property and the tax imposed thereon shall be paid by the deemed retailer;

(m) the gross receipts received from fees and charges by public and private clubs, drinking establishments, organizations and businesses for participation in sports, games and other recreational activities, but such tax shall not be levied and collected upon the gross receipts received from: (1) Fees and charges by any political subdivision, by any organization exempt from property taxation pursuant to paragraph *Ninth* of K.S.A. 79-201, and amendments thereto, or by any youth recreation organization exclusively providing services to persons 18 years of age or younger which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986, for participation in sports, games and other recreational activities; and (2) entry fees and charges for participation in a special event or tournament sanctioned by a national sporting association to which spectators are charged an admission which is taxable pursuant to subsection (e);

(n) the gross receipts received from dues charged by public and private clubs, drinking establishments, organizations and businesses, payment of which entitles a member to the use of facilities for recreation or entertainment, but such tax shall not be levied and collected upon the gross receipts received from: (1) Dues charged by any organization exempt from property taxation pursuant to paragraphs *Eighth* and *Ninth* of K.S.A. 79-201, and amendments thereto; and (2) sales of memberships in a nonprofit organization which is exempt from federal income taxation pursuant to section 501 (c)(3) of the federal internal revenue code of 1986, and whose purpose is to support the operation of a nonprofit zoo;

(o) the gross receipts received from the isolated or occasional sale of motor vehicles or trailers but not including: (1) The transfer of motor vehicles or trailers by a person to a corporation or limited liability company solely in exchange for stock securities or membership interest in such corporation or limited liability company; or (2) the transfer of motor vehicles or trailers by one corporation or limited liability company to another when all of the assets of such corporation or limited liability company are transferred to such other corporation or limited liability company; or (3) the sale of motor vehicles or trailers which are subject to taxation pursuant to the provisions of K.S.A. 79-5101 *et seq.*, and amendments thereto, by an immediate family member to another immediate family member. For the purposes of clause (3), immediate family member means lineal ascendants or descendants, and their spouses. *The base for computing the tax shall be the stated selling price of the motor vehicle or trailer or the value pursuant to subsections (a), (b)(1) and (b)(2) of K.S.A. 79-5105, and amendments thereto, whichever amount is higher. The actual selling price shall be the base for computing the tax on the isolated or occasional sale of wrecked or damaged vehicles.* 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) 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, the original construction, reconstruction, restoration, remodeling, renovation, repair or replacement of a residence 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, tornado, lightning, explosion or earthquake, but such term, except with regard to a residence, shall not

include replacement, remodeling, restoration, renovation or reconstruction under any other circumstances;

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

(3) "facility" shall mean a mill, plant, refinery, oil or gas well, water well, feedlot 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 et seq., and amendments thereto, or of any municipal or quasi-municipal corporation, including the land improvements immediately surrounding such facility; and

(4) "residence" shall mean only those enclosures within which individuals customarily live;

(q) 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) 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);

(s) *on and after January 1, 2005*, the gross receipts received from the sale of *prewritten* computer software, ~~the sale of the service of providing computer software other than prewritten computer software~~ and the sale of the services of modifying, altering, updating or maintaining *prewritten* computer software, whether the *prewritten* computer software is installed or delivered electronically by tangible storage media physically transferred to the purchaser or by load and leave;

(t) the gross receipts received for telephone answering services, mobile telecommunication services, beeper services and other similar services. On and after August 1, 2002, the provisions of the federal mobile telecommunications sourcing act as in effect on January 1, 2002, shall be applicable to all sales of mobile telecommunication services taxable pursuant to this subsection. The secretary of revenue is hereby authorized and directed to perform any act deemed necessary to properly implement such provisions;

(u) the gross receipts received from the sale of prepaid calling service as defined in K.S.A. 2003 Supp. 79-3673, and amendments thereto; and

(v) the gross receipts received from the sales of bingo cards, bingo faces and instant bingo tickets by licensees under K.S.A. 79-4701, *et seq.*, and amendments thereto, shall be taxed at a rate of: (1) 4.9% on July 1, 2000, and before July 1, 2001; and (2) 2.5% on July 1, 2001, and before July 1, 2002. From and after July 1, 2002, all sales of bingo cards, bingo faces and instant bingo tickets by licensees under K.S.A. 79-4701 *et seq.*, and amendments thereto, shall be exempt from taxes imposed pursuant to this section.

Sec. 8. On and after January 1, 2005, K.S.A. 2003 Supp. 79-3606, as amended by section 18 of 2004 House Bill No. 2713, 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, motor vehicles taxed pursuant to K.S.A. 79-5117, and amendments thereto, tires taxed pursuant to K.S.A. 65-3424d, and amendments thereto, drycleaning and laundry services taxed pursuant to K.S.A. 65-34,150, and amendments thereto, and gross receipts from regulated sports contests taxed pursuant to the Kansas professional regulated sports act, 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 public hospital authority or nonprofit blood, tissue or organ bank and used exclusively for state, political subdivision, hospital or public hospital authority or nonprofit blood, tissue or organ bank purposes, except when: (1) Such state, hospital or public hospital authority 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, 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 or public hospital authority, 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 or public hospital authority, 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 or district described in subsection (s), the total cost of which is paid from funds of such political subdivision or district and which would be exempt from taxation under the provisions of this act if purchased directly by such political subdivision or district. 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 or any such district. 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, district described in subsection (s), public or private nonprofit hospital or public hospital authority, 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, district described in subsection (s), hospital or public hospital authority, 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. As an alternative to the foregoing procedure, any such contracting entity may apply to the secretary of revenue for agent status for the sole purpose of issuing and furnishing project exemption certificates to contractors pursuant to rules and regulations adopted by the secretary establishing conditions and standards for the granting and maintaining of such status. 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, district described in subsection (s), hospital or public hospital authority, 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. As an alternative to the foregoing procedure, any such contracting entity may apply to the secretary of revenue for agent status for the sole purpose of issuing and furnishing project exemption certificates to contractors pursuant to rules and regulations adopted by the secretary establishing conditions and standards for the granting and maintaining of such status. 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 directly or through an authorized agent 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 and ~~sales of aircraft repair, modification and replacement parts and sales of services employed in the remanufacture, modification and repair of aircraft;~~

(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 (c) 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 treating of by-products or wastes derived from any such production process, 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, treating, irrigation and in providing such services;

(o) all sales of animals, fowl and aquatic plants and animals, the primary purpose of which is use in agriculture or aquaculture, as defined in K.S.A. 47-1901, and amendments thereto, the production of food for human consumption, the production of animal, dairy, poultry or aquatic plant and animal products, fiber or fur, or the production of offspring for use for any such purpose or purposes;

(p) all sales of drugs dispensed pursuant to a prescription order by a licensed practitioner or a mid-level practitioner as defined by K.S.A. 65-1626, and amendments thereto. As used in this subsection, "drug" means a compound, substance or preparation and any component of a compound, substance or preparation, other than food and food ingredients, dietary supplements or alcoholic beverages, recognized in the official United States pharmacopoeia, official homeopathic pharmacopoeia of the United States or official national formulary, and supplement to any of them, intended for use in the diagnosis, cure, mitigation, treatment or prevention of disease or intended to affect the structure or any function of the body;

(q) 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;

(r) all sales of prosthetic devices and mobility enhancing equipment prescribed in writing by a person licensed to practice the healing arts, dentistry or optometry, and in addition to such sales, all sales of hearing aids, as defined by subsection (c) of K.S.A. 74-5807, and amendments thereto, and replacement parts therefor, including batteries, by a person licensed in the practice of dispensing and fitting hearing aids pursuant to the provisions of K.S.A. 74-5808, and amendments thereto. For the purposes of this subsection: (1) "Mobility enhancing equipment" means equipment including repair and replacement parts to same, but does not include durable medical equipment, which is primarily and customarily used to provide or increase the ability to move from one place to another

and which is appropriate for use either in a home or a motor vehicle; is not generally used by persons with normal mobility; and does not include any motor vehicle or equipment on a motor vehicle normally provided by a motor vehicle manufacturer; and (2) "prosthetic device" means a replacement, corrective or supportive device including repair and replacement parts for same worn on or in the body to artificially replace a missing portion of the body, prevent or correct physical deformity or malfunction or support a weak or deformed portion of the body;

(s) except as provided in K.S.A. 2003 Supp. 82a-2101, and amendments thereto, all sales of tangible personal property or services purchased directly or indirectly by a groundwater management district organized or operating under the authority of K.S.A. 82a-1020 *et seq.* and amendments thereto, by a rural water district organized or operating under the authority of K.S.A. 82a-612, and amendments thereto, or by a water supply district organized or operating under the authority of K.S.A. 19-3501 *et seq.*, 19-3522 *et seq.* or 19-3545, and amendments thereto, which property or services are used in the construction activities, operation or maintenance of the district;

(t) all sales of farm machinery and equipment or aquaculture 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 or aquaculture machinery and equipment" shall include machinery and equipment used in the operation of Christmas tree farming but 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. Each purchaser of farm machinery and equipment or aquaculture machinery and equipment exempted herein must certify in writing on the copy of the invoice or sales ticket to be retained by the seller that the farm machinery and equipment or aquaculture machinery and equipment purchased will be used only in farming, ranching or aquaculture production. Farming or ranching shall include the operation of a feedlot and farm and ranch work for hire and the operation of a nursery;

(u) 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;

(v) all sales of ~~food products~~ *tangible personal property* 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, and all sales of ~~food products~~ *tangible personal property* for use in preparing meals for consumption by indigent or homeless individuals whether or not such meals are consumed at a place designated for such purpose, *and all sales of food products by or on behalf of any such contractor or organization for any such purpose;*

(w) all sales of natural gas, electricity, heat and water delivered through mains, lines or pipes: (1) To residential premises for noncommercial use by the occupant of such premises; (2) for agricultural use and also, for such use, all sales of propane gas; (3) for use in the severing of oil; and (4) to any property which is exempt from property taxation pursuant to K.S.A. 79-201b *Second* through *Sixth*. As used in this paragraph, "severing" shall have the meaning ascribed thereto by subsection (k) of K.S.A. 79-4216, and amendments thereto. For all sales of natural gas, electricity and heat delivered through mains, lines or pipes pursuant to the provisions of subsection (w)(1) and (w)(2), the provisions of this subsection shall expire on December 31, 2005;

(x) 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 occurring prior to January 1, 2006;

(y) 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;

(z) 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;

(aa) 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;

(bb) all sales of used mobile homes or manufactured homes. As used in this subsection: (1) "Mobile homes" and "manufactured homes" shall have the meanings ascribed thereto by K.S.A. 58-4202 and amendments thereto; and (2) "sales of used mobile homes or manufactured homes" means sales other than the original retail sale thereof;

(cc) all sales of tangible personal property or services purchased for the purpose of and in conjunction with constructing, reconstructing, enlarging or remodeling a business or retail business which meets the requirements established in K.S.A. 74-50,115 and amendments thereto, and the sale and installation of machinery and equipment purchased for installation at any such business or retail business. When a person shall contract for the construction, reconstruction, enlargement or remodeling of any such business or retail business, 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 business or retail business 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. As used in this subsection, "business" and "retail business" have the meanings respectively ascribed thereto by K.S.A. 74-50,114 and amendments thereto;

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

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

(ff) on and after July 1, 1988, all sales of new mobile homes or manufactured 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" and "manufactured homes" shall have the meanings ascribed thereto by K.S.A. 58-4202 and amendments thereto;

(gg) 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;

(hh) all sales of medical supplies and equipment, including durable medical 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. As used in this subsection, "durable medical equipment" means equipment including repair and replacement parts for such equipment, but does not include mobility enhancing equipment as defined in subsection (r) which can withstand repeated use, is primarily and customarily used to serve a

medical purpose, generally is not useful to a person in the absence of illness or injury and is not worn in or on the body;

(ii) all sales of tangible personal property purchased directly by a non-profit organization for nonsectarian comprehensive multidiscipline youth development programs and activities provided or sponsored by such organization, and all sales of tangible personal property by or on behalf of any such organization. This exemption shall not apply to tangible personal property customarily used for human habitation purposes;

(jj) all sales of tangible personal property or services, 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 *and all sales of tangible personal property or services purchased by contractors during the time period from July, 2003, through June, 2004, for the purpose of constructing, equipping, maintaining or furnishing a new facility for a community-based mental retardation facility or mental health center located in Riverton, Cherokee County, Kansas, which would have been eligible for sales tax exemption pursuant to this subsection if purchased directly by such facility or center.* This exemption shall not apply to tangible personal property customarily used for human habitation purposes;

(kk) (1) (A) all sales of machinery and equipment which are used in this state as an integral or essential part of an integrated production operation by a manufacturing or processing plant or facility;

(B) all sales of installation, repair and maintenance services performed on such machinery and equipment; and

(C) all sales of repair and replacement parts and accessories purchased for such machinery and equipment.

(2) For purposes of this subsection:

(A) "Integrated production operation" means an integrated series of operations engaged in at a manufacturing or processing plant or facility to process, transform or convert tangible personal property by physical, chemical or other means into a different form, composition or character from that in which it originally existed. Integrated production operations shall include: (i) Production line operations, including packaging operations; (ii) preproduction operations to handle, store and treat raw materials; (iii) post production handling, storage, warehousing and distribution operations; and (iv) waste, pollution and environmental control operations, if any;

(B) "production line" means the assemblage of machinery and equipment at a manufacturing or processing plant or facility where the actual transformation or processing of tangible personal property occurs;

(C) "manufacturing or processing plant or facility" means a single, fixed location owned or controlled by a manufacturing or processing business that consists of one or more structures or buildings in a contiguous area where integrated production operations are conducted to manufacture or process tangible personal property to be ultimately sold at retail. Such term shall not include any facility primarily operated for the purpose of conveying or assisting in the conveyance of natural gas, electricity, oil or water. A business may operate one or more manufacturing or processing plants or facilities at different locations to manufacture or process a single product of tangible personal property to be ultimately sold at retail;

(D) "manufacturing or processing business" means a business that utilizes an integrated production operation to manufacture, process, fabricate, finish, or assemble items for wholesale and retail distribution as part of what is commonly regarded by the general public as an industrial manufacturing or processing operation or an agricultural commodity processing operation. (i) Industrial manufacturing or processing operations include, by way of illustration but not of limitation, the fabrication of automobiles, airplanes, machinery or transportation equipment, the fabrication of metal, plastic, wood, or paper products, electricity power generation, water treatment, petroleum refining, chemical production, wholesale bottling, newspaper printing, ready mixed concrete production, and the remanufacturing of used parts for wholesale or retail sale. Such processing operations shall include operations at an oil well, gas well, mine or other excavation site where the oil, gas, minerals, coal, clay, stone, sand

or gravel that has been extracted from the earth is cleaned, separated, crushed, ground, milled, screened, washed, or otherwise treated or prepared before its transmission to a refinery or before any other wholesale or retail distribution. (ii) Agricultural commodity processing operations include, by way of illustration but not of limitation, meat packing, poultry slaughtering and dressing, processing and packaging farm and dairy products in sealed containers for wholesale and retail distribution, feed grinding, grain milling, frozen food processing, and grain handling, cleaning, blending, fumigation, drying and aeration operations engaged in by grain elevators or other grain storage facilities. (iii) Manufacturing or processing businesses do not include, by way of illustration but not of limitation, nonindustrial businesses whose operations are primarily retail and that produce or process tangible personal property as an incidental part of conducting the retail business, such as retailers who bake, cook or prepare food products in the regular course of their retail trade, grocery stores, meat lockers and meat markets that butcher or dress livestock or poultry in the regular course of their retail trade, contractors who alter, service, repair or improve real property, and retail businesses that clean, service or refurbish and repair tangible personal property for its owner;

(E) "repair and replacement parts and accessories" means all parts and accessories for exempt machinery and equipment, including, but not limited to, dies, jigs, molds, patterns and safety devices that are attached to exempt machinery or that are otherwise used in production, and parts and accessories that require periodic replacement such as belts, drill bits, grinding wheels, grinding balls, cutting bars, saws, refractory brick and other refractory items for exempt kiln equipment used in production operations;

(F) "primary" or "primarily" mean more than 50% of the time.

(3) For purposes of this subsection, machinery and equipment shall be deemed to be used as an integral or essential part of an integrated production operation when used:

(A) To receive, transport, convey, handle, treat or store raw materials in preparation of its placement on the production line;

(B) to transport, convey, handle or store the property undergoing manufacturing or processing at any point from the beginning of the production line through any warehousing or distribution operation of the final product that occurs at the plant or facility;

(C) to act upon, effect, promote or otherwise facilitate a physical change to the property undergoing manufacturing or processing;

(D) to guide, control or direct the movement of property undergoing manufacturing or processing;

(E) to test or measure raw materials, the property undergoing manufacturing or processing or the finished product, as a necessary part of the manufacturer's integrated production operations;

(F) to plan, manage, control or record the receipt and flow of inventories of raw materials, consumables and component parts, the flow of the property undergoing manufacturing or processing and the management of inventories of the finished product;

(G) to produce energy for, lubricate, control the operating of or otherwise enable the functioning of other production machinery and equipment and the continuation of production operations;

(H) to package the property being manufactured or processed in a container or wrapping in which such property is normally sold or transported;

(I) to transmit or transport electricity, coke, gas, water, steam or similar substances used in production operations from the point of generation, if produced by the manufacturer or processor at the plant site, to that manufacturer's production operation; or, if purchased or delivered from offsite, from the point where the substance enters the site of the plant or facility to that manufacturer's production operations;

(J) to cool, heat, filter, refine or otherwise treat water, steam, acid, oil, solvents or other substances that are used in production operations;

(K) to provide and control an environment required to maintain certain levels of air quality, humidity or temperature in special and limited areas of the plant or facility, where such regulation of temperature or humidity is part of and essential to the production process;

(L) to treat, transport or store waste or other byproducts of production operations at the plant or facility; or

(M) to control pollution at the plant or facility where the pollution is produced by the manufacturing or processing operation.

(4) The following machinery, equipment and materials shall be deemed to be exempt even though it may not otherwise qualify as machinery and equipment used as an integral or essential part of an integrated production operation: (A) Computers and related peripheral equipment that are utilized by a manufacturing or processing business for engineering of the finished product or for research and development or product design; (B) machinery and equipment that is utilized by a manufacturing or processing business to manufacture or rebuild tangible personal property that is used in manufacturing or processing operations, including tools, dies, molds, forms and other parts of qualifying machinery and equipment; (C) portable plants for aggregate concrete, bulk cement and asphalt including cement mixing drums to be attached to a motor vehicle; (D) industrial fixtures, devices, support facilities and special foundations necessary for manufacturing and production operations, and materials and other tangible personal property sold for the purpose of fabricating such fixtures, devices, facilities and foundations. An exemption certificate for such purchases shall be signed by the manufacturer or processor. If the fabricator purchases such material, the fabricator shall also sign the exemption certificate; and (E) a manufacturing or processing business' laboratory equipment that is not located at the plant or facility, but that would otherwise qualify for exemption under subsection (3)(E).

(5) "Machinery and equipment used as an integral or essential part of an integrated production operation" shall not include:

(A) Machinery and equipment used for nonproduction purposes, including, but not limited to, machinery and equipment used for plant security, fire prevention, first aid, accounting, administration, record keeping, advertising, marketing, sales or other related activities, plant cleaning, plant communications, and employee work scheduling;

(B) machinery, equipment and tools used primarily in maintaining and repairing any type of machinery and equipment or the building and plant;

(C) transportation, transmission and distribution equipment not primarily used in a production, warehousing or material handling operation at the plant or facility, including the means of conveyance of natural gas, electricity, oil or water, and equipment related thereto, located outside the plant or facility;

(D) office machines and equipment including computers and related peripheral equipment not used directly and primarily to control or measure the manufacturing process;

(E) furniture and other furnishings;

(F) buildings, other than exempt machinery and equipment that is permanently affixed to or becomes a physical part of the building, and any other part of real estate that is not otherwise exempt;

(G) building fixtures that are not integral to the manufacturing operation, such as utility systems for heating, ventilation, air conditioning, communications, plumbing or electrical;

(H) machinery and equipment used for general plant heating, cooling and lighting;

(I) motor vehicles that are registered for operation on public highways; or

(J) employee apparel, except safety and protective apparel that is purchased by an employer and furnished gratuitously to employees who are involved in production or research activities.

(6) Subsections (3) and (5) shall not be construed as exclusive listings of the machinery and equipment that qualify or do not qualify as an integral or essential part of an integrated production operation. When machinery or equipment is used as an integral or essential part of production operations part of the time and for nonproduction purpose at other times, the primary use of the machinery or equipment shall determine whether or not such machinery or equipment qualifies for exemption.

(7) The secretary of revenue shall adopt rules and regulations necessary to administer the provisions of this subsection;

(II) all sales of educational materials purchased for distribution to the public at no charge by a nonprofit corporation organized for the purpose

of encouraging, fostering and conducting programs for the improvement of public health;

(mm) all sales of seeds and tree seedlings; fertilizers, insecticides, herbicides, germicides, pesticides and fungicides; and services, purchased and used for the purpose of producing plants in order to prevent soil erosion on land devoted to agricultural use;

(nn) except as otherwise provided in this act, all sales of services rendered by an advertising agency or licensed broadcast station or any member, agent or employee thereof;

(oo) all sales of tangible personal property purchased by a community action group or agency for the exclusive purpose of repairing or weatherizing housing occupied by low income individuals;

(pp) all sales of drill bits and explosives actually utilized in the exploration and production of oil or gas;

(qq) all sales of tangible personal property and services purchased by a nonprofit museum or historical society or any combination thereof, including a nonprofit organization which is organized for the purpose of stimulating public interest in the exploration of space by providing educational information, exhibits and experiences, which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986;

(rr) all sales of tangible personal property which will admit the purchaser thereof to any annual event sponsored by a nonprofit organization which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986;

(ss) all sales of tangible personal property and services purchased by a public broadcasting station licensed by the federal communications commission as a noncommercial educational television or radio station;

(tt) all sales of tangible personal property and services purchased by or on behalf of a not-for-profit corporation which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986, for the sole purpose of constructing a Kansas Korean War memorial;

(uu) all sales of tangible personal property and services purchased by or on behalf of any rural volunteer fire-fighting organization for use exclusively in the performance of its duties and functions;

(vv) all sales of tangible personal property purchased by any of the following organizations which are exempt from federal income taxation pursuant to section 501 (c)(3) of the federal internal revenue code of 1986, for the following purposes, and all sales of any such property by or on behalf of any such organization for any such purpose:

(1) The American Heart Association, Kansas Affiliate, Inc. for the purposes of providing education, training, certification in emergency cardiac care, research and other related services to reduce disability and death from cardiovascular diseases and stroke;

(2) the Kansas Alliance for the Mentally Ill, Inc. for the purpose of advocacy for persons with mental illness and to education, research and support for their families;

(3) the Kansas Mental Illness Awareness Council for the purposes of advocacy for persons who are mentally ill and to education, research and support for them and their families;

(4) the American Diabetes Association Kansas Affiliate, Inc. for the purpose of eliminating diabetes through medical research, public education focusing on disease prevention and education, patient education including information on coping with diabetes, and professional education and training;

(5) the American Lung Association of Kansas, Inc. for the purpose of eliminating all lung diseases through medical research, public education including information on coping with lung diseases, professional education and training related to lung disease and other related services to reduce the incidence of disability and death due to lung disease;

(6) the Kansas chapters of the Alzheimer's Disease and Related Disorders Association, Inc. for the purpose of providing assistance and support to persons in Kansas with Alzheimer's disease, and their families and caregivers;

(7) the Kansas chapters of the Parkinson's disease association for the purpose of eliminating Parkinson's disease through medical research and public and professional education related to such disease; and

(8) the National Kidney Foundation of Kansas and Western Missouri for the purpose of eliminating kidney disease through medical research and public and private education related to such disease;

(9) *the heartstrings community foundation for the purpose of providing training, employment and activities for adults with developmental disabilities;*

(10) *the Cystic Fibrosis Foundation, Heart of America Chapter, for the purposes of assuring the development of the means to cure and control cystic fibrosis and improving the quality of life for those with the disease; and*

(11) *the spina bifida association of Kansas for the purpose of providing financial, educational and practical aid to families and individuals with spina bifida. Such aid includes, but is not limited to, funding for medical devices, counseling and medical educational opportunities;*

(vvv) all sales of tangible personal property purchased by the Habitat for Humanity for the exclusive use of being incorporated within a housing project constructed by such organization;

(xx) all sales of tangible personal property and services purchased by a nonprofit zoo which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986, or on behalf of such zoo by an entity itself exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986 contracted with to operate such zoo 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 nonprofit zoo which would be exempt from taxation under the provisions of this section if purchased directly by such nonprofit zoo or the entity operating such zoo. Nothing in this subsection 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 nonprofit zoo. When any nonprofit zoo 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 nonprofit zoo 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 nonprofit zoo 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;

(yy) all sales of tangible personal property and services purchased by a parent-teacher association or organization, and all sales of tangible personal property by or on behalf of such association or organization;

(zz) all sales of machinery and equipment purchased by over-the-air, free access radio or television station which is used directly and primarily for the purpose of producing a broadcast signal or is such that the failure

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of the machinery or equipment to operate would cause broadcasting to cease. For purposes of this subsection, machinery and equipment shall include, but not be limited to, that required by rules and regulations of the federal communications commission, and all sales of electricity which are essential or necessary for the purpose of producing a broadcast signal or is such that the failure of the electricity would cause broadcasting to cease;

(aaa) all sales of tangible personal property and services purchased by a religious organization which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code, and used exclusively for religious purposes, 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 such organization which would be exempt from taxation under the provisions of this section if purchased directly by such organization. Nothing in this subsection 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 such organization. When any such organization 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 such organization 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, such organization 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. Sales tax paid on and after July 1, 1998, but prior to the effective date of this act upon the gross receipts received from any sale exempted by the amendatory provisions of this subsection shall be refunded. Each claim for a sales tax refund shall be verified and submitted to the director of taxation upon forms furnished by the director and shall be accompanied by any additional documentation required by the director. The director shall review each claim and shall refund that amount of sales tax paid as determined under the provisions of this subsection. All refunds shall be paid from the sales tax refund fund upon warrants of the director of accounts and reports pursuant to vouchers approved by the director or the director's designee;

(bbb) all sales of food for human consumption by an organization which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986, pursuant to a food distribution program which offers such food at a price below cost in exchange for the performance of community service by the purchaser thereof;

(ccc) on and after July 1, 1999, all sales of tangible personal property and services purchased by a primary care clinic or health center the pri-

mary purpose of which is to provide services to medically underserved individuals and families, and which is exempt from federal income taxation pursuant to section 501 (c)(3) of the federal internal revenue code, 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 such clinic or center which would be exempt from taxation under the provisions of this section if purchased directly by such clinic or center. Nothing in this subsection 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 such clinic or center. When any such clinic or center 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 such clinic or center 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, such clinic or center 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;

(ddd) on and after January 1, 1999, and before January 1, 2000, all sales of materials and services purchased by any class II or III railroad as classified by the federal surface transportation board for the construction, renovation, repair or replacement of class II or III railroad track and facilities used directly in interstate commerce. In the event any such track or facility for which materials and services were purchased sales tax exempt is not operational for five years succeeding the allowance of such exemption, the total amount of sales tax which would have been payable except for the operation of this subsection shall be recouped in accordance with rules and regulations adopted for such purpose by the secretary of revenue;

(eee) on and after January 1, 1999, and before January 1, 2001, all sales of materials and services purchased for the original construction, reconstruction, repair or replacement of grain storage facilities, including railroad sidings providing access thereto;

(fff) all sales of material handling equipment, racking systems and other related machinery and equipment that is used for the handling, movement or storage of tangible personal property in a warehouse or distribution facility in this state; all sales of installation, repair and maintenance services performed on such machinery and equipment; and all sales of repair and replacement parts for such machinery and equipment. For purposes of this subsection, a warehouse or distribution facility means a single, fixed location that consists of buildings or structures in a contiguous area where storage or distribution operations are conducted that are separate and apart from the business' retail operations, if any, and which

do not otherwise qualify for exemption as occurring at a manufacturing or processing plant or facility. Material handling and storage equipment shall include aeration, dust control, cleaning, handling and other such equipment that is used in a public grain warehouse or other commercial grain storage facility, whether used for grain handling, grain storage, grain refining or processing, or other grain treatment operation; and

(ggg) all sales of tangible personal property and services purchased by or on behalf of the Kansas Academy of Science which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986, and used solely by such academy for the preparation, publication and dissemination of education materials; and

(hhh) all sales of tangible personal property and services purchased by or on behalf of all domestic violence shelters that are member agencies of the Kansas coalition against sexual and domestic violence.

Sec. 9. K.S.A. 2003 Supp. 79-3607 is hereby amended to read as follows: 79-3607. (a) Retailers shall make returns to the director at the times prescribed by this section upon forms prescribed and furnished by the director stating: (1) The name and address of the retailer; (2) the total amount of gross sales of all tangible personal property and taxable services rendered by the retailer during the period for which the return is made; (3) the total amount received during the period for which the return is made on charge and time sales of tangible personal property made and taxable services rendered prior to the period for which the return is made; (4) deductions allowed by law from such total amount of gross sales and from total amount received during the period for which the return is made on such charge and time sales; (5) receipts during the period for which the return is made from the total amount of sales of tangible personal property and taxable services rendered during such period in the course of such business, after deductions allowed by law have been made; (6) receipts during the period for which the return is made from charge and time sales of tangible personal property made and taxable services rendered prior to such period in the course of such business, after deductions allowed by law have been made; (7) gross receipts during the period for which the return is made from sales of tangible personal property and taxable services rendered in the course of such business upon the basis of which the tax is imposed. The return shall include such other pertinent information as the director may require. In making such return, the retailer shall determine the market value of any consideration, other than money, received in connection with the sale of any tangible personal property in the course of the business and shall include such value in the return. Such value shall be subject to review and revision by the director as hereinafter provided. Refunds made by the retailer during the period for which the return is made on account of tangible personal property returned to the retailer shall be allowed as a deduction under subdivision (4) of this section in case the retailer has theretofore included the receipts from such sale in a return made by such retailer and paid taxes therein imposed by this act. The retailer shall, at the time of making such return, pay to the director the amount of tax herein imposed, except as otherwise provided in this section. The director may extend the time for making returns and paying the tax required by this act for any period not to exceed 60 days under such rules and regulations as the secretary of revenue may prescribe. When the total tax for which any retailer is liable under this act, does not exceed the sum of \$80 in any calendar year, the retailer shall file an annual return on or before January 25 of the following year. When the total tax liability does not exceed ~~\$1,600~~ \$3,200 in any calendar year, the retailer shall file returns quarterly on or before the 25th day of the month following the end of each calendar quarter. When the total tax liability exceeds ~~\$1,600~~ \$3,200 in any calendar year, the retailer shall file a return for each month on or before the 25th day of the following month. When the total tax liability exceeds \$32,000 in any calendar year, the retailer shall be required to pay the sales tax liability for the first 15 days of each month to the director on or before the 25th day of that month. Any such payment shall accompany the return filed for the preceding month. A retailer will be considered to have complied with the requirements to pay the first 15 days' liability for any month if, on or before the 25th day of that month, the retailer paid 90% of the liability for that fifteen-day period, or 50% of such retailer's liability in the immediate