

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on March 6, 2008 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Legislative Research Department
Gordon Self, Office of Revisor of Statutes
Ryan Hoffman, Legislative Research Department
Scott Wells, Office of Revisor of Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Richard Cram, Department of Revenue

Others attending:

See attached list.

Chairman Wilk moved a bill introduction, on behalf of Representative Owens, concerning a sales tax exemption relating to the Equestrian Order of the Holy Sepulchre. Representative Holland seconded the motion. The motion carried.

Representative Owens requested a bill introduction for a bill that would state that financial institutions can not reopen an account which has previously been closed by the holder. Representative Menghini seconded the motion. The motion carried. The Chairperson of the Insurance and Financial Institutions has agreed to hear and work the bill.

Representative Wilk moved a bill introduction pertaining to a net operating loss carry-back provision in the tax policy. Representative Carlson seconded the motion. The motion carried.

Representative Dillmore requested a bill introduction regarding personal income tax and check off for the Alzheimer's Association. Representative Holland seconded the motion. The motion carried.

HB 2938 - Sales tax exemption for certain 501 (c) (3) nonprofit organizations

Secretary Wagnon and Richard Cram explained a table that listed entities that are currently exempt from sales tax or who have legislation pending and whether the exemption is for purchases and/or sales made (Attachment 1).

The table has three sections:

- Section 1 - The department's recommendation of the organizations that would retain their exempt status and would not be affected by **HB 2938**, except for fund-raising.
- Section 2 - The department's recommendation of exempt entities that should retain their exempt status until their current exemption certificate expires. Future exempt status would depend on whether they meet the requirements of **HB 2938**.
- Section 3 - A list of entities with legislation pending in the 2008 Legislature, including carry-overs from the 2007 Session and how **HB 2938** would impact their status.
- Section 1 and Section 2 would be grand fathered into the bill.

A second memorandum, from KDOR, with a balloon amendment was distributed (Attachment 2).

The Chairman opened the public hearing on **HB 2938**.

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on March 6, 2008 in Room 519-S of the Capitol.

Representative Whitham distributed balloon amendments to the bill (Attachment 3).

He explained amendments on page 1:

- Page 1, new section 1, line 22, “health care research and services” would be struck, and *mental retardation services, mental illness services, learning disability services* would be substituted.
- Page 1, new section 1, line 23, *or legally blind* would be added

Representative Whitham made a motion to move his balloon. Representative Menghini seconded the motion.

Representative King requested a division of the motion. The Chairman concurred and divided the amendment:

- Part A - Page 1, new section 1, line 22, “health care research and services” would be struck, and *mental retardation services, mental illness services, learning disability services* would be substituted.
- Part B - Page 1, new section 1, line 23 , *or legally blind* would be added

Representative Whitham moved Part A of his amendment. The motion failed.

Representative Owens made a substitute motion that would move the word “legally” in front of the word “deaf”, which would include both deafness and blindness. Representative Siegfried seconded. The motion carried.

There was discussion questioning the definition of *legally deaf and blind*. The Chairman said given the number of questions before the Committee, there would be ample time to research the definition.

Representative Whitham made a motion to delete (2). Wilk seconded the motion. On Page 1, “the gross receipts from the sale of admissions or tickets to fund raising activities or events not exceeding one day and not exceeding two such activities or events per year, all sales of tangible personal property or services donated from fund raising purposes, and all sales of publications developed by an organization for fund raising purposes, all by an organization which is exempt from federal income taxation pursuant to section 501(c) (3) of the federal internal revenue code, and which such sales are dedicated to further the religious, charitable, scientific, testing for public safety, literacy or educational purpose, or any other purpose specified by section 50-1 (c) (3) of the federal internal revenue code, of the organization,” would be deleted.

Lengthy discussion followed regarding the pros and cons of deleting (2). Secretary Wagnon explained that currently Kansas is spending \$43 million in tax exemptions. If Kansas exempted all non-profit organizations it would add \$26 million. If the Whitham bill passed it would add \$16 million. If the balloon amendment (deletion of (2), is adopted it would be \$6 million, or \$10 million less.

Discussion followed on tax policy philosophy. There was consensus that the tax exempt policy needs to be changed, which will be difficult - but necessary- if they are to improve the current tax system.

Representative Whitham closed his motion regarding the (2) deletion. The motion failed.

The meeting adjourned at 10:30 a.m. The next meeting is March 7, 2008.

HOUSE TAXATION COMMITTEE

DATE: March 6, 2008

NAME	REPRESENTING
Sgt. Pesch	PMCA of KS
Craig Kaberline	K4A
Brendan Yorkey	Budget
Jean Wagner	KDOR
Steven Brunken	KDOR
Mark Desetti	KNEA
Larry R. Baser	LKM
Mark Tallman	KASB
Kari Presley	Kearney & Associates
Austin Hayden	Hein Law Firm
Kit Wood	CITY Gov. Relations
Maree Carpenter	Kansas Chamber
Shahid Jaffar	KS Grain & Feed Assn
Ronald Richey	NRFRE
Phil Gueries	Salina YCA
Erik Bengston	Atchison Family YMCA
Michelle Schroeder	Dawson Govt Relations
Jim Mann	Spirit AeroSystems
Bill Bredy	KS Health & Fitness Association

Kansas Department of Revenue
Sales Tax Exemptions

The table lists those entities that are currently exempt from sales tax or who have legislation pending and whether the exemption is for purchases and/or sales made. The table has three sections:

- 1) existing exemptions that are suggested be retained in their current form and therefore excluded from the provisions of HB 2938
- 2) current exemptions that would retain their existing exemption until their exempt certificate expires. Their future exempt status would depend on whether they meet the requirements of HB 2938.
- 3) entities with legislation pending.

HB 2938 provides the following:

Purchases by the following types of organizations would be exempt: adoption and foster care services, aging services, child and family disability and welfare services, domestic violence services, drug abuse and alcohol addiction counseling services, food bank services for persons of low income, health care research and services, services for individual who are deaf. This is limited to direct purchases.

Sales of nonprofit organizations would be exempt in the following instances: 1) sale of admission or tickets to fund raising activities or events not exceeding one day and two events annually, 2) donated items for fund raising purposes, 3) publications developed for fund raising purposes.

Purchases column indicates if the exemption is for direct purchases, indirect purchases (by or on behalf of) or provides for the issuance of PEC (project exemption certificates) for indirect purchases.

Notes column in sections 2 and 3 states the impact on the entities of the new exemption criteria recommended in 2008 HB 2938.

Current fiscal impact column lists the fiscal year 2009 loss of state sales tax revenues for all funds as the exemption currently exists in statute or as proposed by pending legislation.

"Impact of HB 2938" column indicates how the requirements of HB 2938 would impact the fiscal note of the bill.

Kansas Department of Revenue
Sales Tax Exemptions

1-2

Section 1. The following are existing exemptions what would retain their exempt status and would not be affected by HB 2938, except for fund raising sales.

Cite	Entity	Purchases (Direct, Indirect, PEC)	Sales		Current Fiscal Impact
b	Nonprofit hospitals, blood banks	Direct/PEC	No		\$66.1770
hh	Nursing Homes	Direct	No		\$1.0410
ii	Nonsectarian comprehensive youth development programs	Direct	Yes	Limit to fund raising sales per HB 2938	\$2.6270
jj	Community mental health facility	Direct	No		\$2.4130
qq	Nonprofit museum or historical society	Direct	No		\$0.3950
ss	Public broadcasting stations	Direct	No		Minimal
tt	Korean War Memorials	Direct/Indirect	No		Minimal
uu	Rural Fire Fighting Organizations	Direct/Indirect	No		\$0.0100
xx	Nonprofit zoos	Direct/PEC	No		\$0.6030
yy	Parent Teacher Organizations	Direct	Yes	Limit to fund raising sales per HB 2938	\$0.5670
aaa	Religious organizations	Direct/PEC	No		\$17.3500
ccc	Clinics for Medically underserved	Direct/PEC	No		\$0.3780
ggg	Kansas Academy of Science	Direct/Indirect	No		\$0.0010
hhh	Domestic Violence Shelters	Direct/Indirect	No		\$0.0570
lll	Special Olympics Kansas	Direct	Yes	Limit to fund raising sales per HB 2938	\$0.0270
ttt	Governor's Hometown museum	Direct/PEC	No		\$0.1070

Section 2. The following are exempt entities which the department would recommend retain their exempt status until their current exemption certificate expires. Future exempt status would depend on whether they meet the requirements of HB 2938

Cite	Entity	Purchases (Direct, Indirect, PEC)	Sales	Notes – if existing exemption removed	Fiscal Impact	Impact of HB 2938	
						P	S
v	Meals on Wheels	Direct	No	Gain fundraising sales	\$0.8320		+
ll	Public health educational materials	Direct	No	Gain exemption on all purchases. Gain fundraising sales.	\$0.0810	+	+
oo	Weatherize low-income housing	Direct	No	Gain exemption on all purchases. Gain fundraising sales.	\$0.0010	+	+
rr	Sale of property admits to annual event	No	Yes	No Impact	\$0.0330		
	Designated Health Organizations	Direct	Yes	Loss of non-fundraising sales. Except the following organizations would lose the exemption on purchases: International Lions Clubs, Ottawa Suzuki Strings, Inc.	\$0.7910		-

1-3

Kansas Department of Revenue
Sales Tax Exemptions

Cite	Entity	Purchases (Direct, Indirect, PEC)	Sales	Notes – if existing exemption removed	Fiscal Impact	Impact of HB 2938	
						P	S
ww	Habitat for Humanity	Direct	No	Gain fundraising sales	\$0.1150		+
bbb	Food Distribution Programs	Direct	No	Gain fundraising sales	\$0.1000		+
iii	Food Products form nonprofit food distribution center	Direct/PEC	No	Lose indirect purchases exemption. Gain fundraising sales	\$0.2380	-	+
mmm	Marillac Center	Direct/Indirect	Yes	Lose indirect purchases exemption	\$0.0540	-	
nnn	West Sedgwick Co. Sunrise Rotary Club	Direct	No		\$0.0210		
ooo	Public Library (sales)	n/a	Yes	Loss of non-fundraising sales.	\$0.0110		-
ppp	Homeless Shelters	Direct/Indirect	Yes	Lose indirect purchases exemption. Loss of non-fundraising sales.	\$0.1070	-	-
qqq	TLC For Children and Families	Direct/PEC	Yes	Lose indirect purchases exemption. Loss of non-fundraising sales.	\$0.1740	-	-
rrr	County law Libraries	Direct	Yes	Loss of non-fundraising sales. (Note: purchases exempt under 79-3606 (b), political subdivision.)	\$0.1070	-	-
sss	Catholic Charities or Youthville	Direct/PEC	Yes	Lose indirect purchases exemption. Loss of non-fundraising sales.	\$0.6430	-	-
uuu	Kansas Children's Service League	Direct/PEC	Yes	Lose indirect purchases exemption. Loss of non-fundraising sales.	\$0.1500	-	-
vvv	Jazz in the Woods	No	Yes	Loss of certain fundraising sales	\$0.0100		-
www	Frontenac Education Foundation	Direct/Indirect	Yes	Lose purchases exemption. Loss of non-fundraising sales.	\$0.0020	-	-
xxx	Booth Theatre Foundation	Direct/PEC	No	Lose purchases exemption. Gain fundraising sales	\$0.0310	-	+
yyy	TLC Charities Foundation	Direct/PEC	Yes	Lose indirect purchases exemption. Loss of non-fundraising sales.	\$0.0010	-	-
zzz	Rotary Club of Shawnee Foundation	Direct	No	Lose purchases exemption. Gain fundraising sales	\$0.0010	-	+
aaaa	Victory in the Garden	Direct/Indirect	Yes	Lose indirect purchases exemption. Loss of non-fundraising sales.	\$0.0180	-	-

Section 3. The following are entities with legislation pending in the 2008 Legislature, including carry-overs from the 2007 Session and how HB 2938 would impact their exempt status

Cite	Entity	Purchases (Direct, Indirect, PEC)	Sales	Notes – if existing exemption removed	Fiscal Impact	Impact of HB 2938	
						P	S
2007 HB 2404	Area Agencies on Aging	Direct/Indirect	Yes	Lose indirect purchases exemption. Loss of non-fundraising sales.	\$ 0.1500	-	-
2007 HB	All 501 (c)(3) organizations	Direct	No	Gain fundraising sales. Most of the organizations would not be exempt on purchases.	\$ 25.0000	-	+
2007 HB 2518	Gold Belt Community Concert Association	Direct	Yes	Lose purchases exemption.	\$ 0.0010	-	+

Kansas Department of Revenue
Sales Tax Exemptions

4-1

Cite	Entity	Purchases (Direct, Indirect, PEC)	Sales	Notes – if existing exemption removed	Fiscal Impact	Impact of HB 2938	
2007 HB 2524	Kansas Herpetological Society	Direct	No	Lose purchases exemption. Gain fundraising sales	\$ 0.0050	-	+
2008 HB 2784	Kansas State Firefighters Associations	Direct/Indirect	No	Lose purchases exemption. Gain fundraising sales.	\$ 0.0060	-	+
2008 HB 2796	Douglas County Senior Services	Direct	Yes	Loss of non-fundraising sales.	\$ 0.0250		-
2008 HB 2797	Certain specific senior councils on aging	Direct/Indirect	No	Gain fundraising sales.	\$ 0.0200		+
2008 HB 2925	Douglas County Senior Center Paola Senior Center, certain county fair associations	Direct/Indirect ***	Yes	Lose purchases exemption. Loss of non-fundraising sales. *** Douglas County exemption on purchases is limited to direct purchases	\$ 0.0420	-	-
2008 HB 2929	Kansas Art Education Association	Direct/Indirect	Yes	Lose purchases exemption. Loss of non-fundraising sales.	\$ 0.0002	-	
2008 HB 2933	Stella Wells Christmas Basket, Inc	Direct/Indirect	Yes	Lose indirect purchases exemption. Loss of non-fundraising sales.	\$ 0.0040	-	-
2008 HB 2938	Services for adoption & foster care, aging, child & family disability & welfare, domestic violence, drug abuse & alcohol addiction, food banks, health care research & services, and services for the deaf	Direct	Yes	This is the bill for which this matrix has been developed.	\$ 8.1000		
2008 HB 2939	Hospitalized Veterans Writing Project	Direct/Indirect	Yes	Lose indirect purchases exemption. Loss of non-fundraising sales.	\$ 0.0120	-	-
2008 HB 2940	Boys and Girls Club of Manhattan, Inc	Direct/PEC	No	Lose indirect purchases exemption. Gain fundraising sales.	\$ 0.0550	-	+
2008 HB 2942	GM Fairfax Salaried Retiree Club	Direct/ Indirect	Yes	Lose purchases exemption. Loss of non-fundraising sales.	\$ 0.0001	-	
2008 HB 2844	Kansas City Symphony	Direct/ Indirect	Yes	Lose purchases exemption. Loss of non-fundraising sales.	\$ 0.0775	-	
2008 HB 2844	Kansas state catbackers, inc and Kansas City catbackers, inc	Direct/ Indirect	Yes	Lose purchases exemption. Loss of non-fundraising sales.	\$ 0.0300	-	
	Equestrian Order of the Holy Sepulchre of Jerusalem	Direct/Indirect	Yes	Would be limited to direct purchases and fundraising sales. (Impact is preliminary)	\$ 0.0100		
	Art and cultural programs			Would be limited to direct purchases and fundraising sales. (Impact is preliminary)	\$10.0 M		

Kansas Department of Revenue
Sales Tax Exemptions

1-5

Cite	Entity	Purchases (Direct, Indirect, PEC)	Sales	Notes – if existing exemption removed	Fiscal Impact	Impact of HB 2938	
2008 SB 592	The Mirror, Inc, Guadalupe Health Foundation, Steve King Foundation, educational foundations, Wayside Waifs, CASA, St Francis Community, East Central Ks Eco Opp, Paola & Douglas Co. senior services, county fairs, capitol restoration	Direct/Indirect	Yes	Lose indirect purchases exemption. Loss of non-fundraising sales.		-	-
2008 SB 593	Kansas Legal Services	Direct	No	Lose purchases exemption. Gain fundraising sales	\$ 0.0170	-	+
2008 SB 602	Wayside Waifs, Inc	Direct/Indirect	Yes	Lose purchases exemption. Gain fundraising sales	\$ 0.0075	-	+
2008 SB 631	Kansas CASA Association	Direct/Indirect	Yes	Lose indirect purchases exemption. Loss of non-fundraising sales. (note, this exemption proposal expanded to all CASA organizations)	\$ 0.0300	--	
2008 SB 6732	St Francis Community Services	Direct/Indirect	Yes	Lose indirect purchases exemption. Loss of non-fundraising sales.	\$ 0.1750	-	-
2008 SB 633	Paola & Douglas County senior centers, certain county fair associations	Direct/Indirect ***	Yes	Lose indirect purchases exemption. Loss of non-fundraising sales. . *** Douglas Co. exemption on purchases is limited to direct purchases	\$ 0.0420	-	-
2008 SB 635	East Central Kansas Economic Opportunity Corporation	Direct/Indirect	Yes	Lose indirect purchases exemption. Loss of non-fundraising sales.	\$ 0.0140	-	-
	All Senior Centers			Would be limited to direct purchases and fundraising sales. (Impact is preliminary)	\$1.00		

New Section 1. (a) The following shall be exempt from the tax imposed under the Kansas retailers' sales tax act: (1) All sales of ~~personal property or services purchased by organizations which are exempt or would be exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code, and which such personal property and services are used for the purpose of providing adoption and foster care services, aging services, child and family disability and welfare services, domestic violence services, drug abuse and alcohol addiction counseling services, food bank services for persons of low income, health care research and services and services for individuals who are deaf.~~ Only sales of personal property and services purchased by the organization for programs of such organization which provide the services specified in the subsection shall qualify for the exemption provided by this subsection; and
(2) the gross receipts from the sale of admissions or tickets to fund raising activities or events not exceeding one day and not exceeding two such activities or events per year, all sales of tangible personal property or services donated for fund raising purposes, and all sales of publications developed by an organization for fund raising purposes, all by an organization which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code, and which such sales are dedicated to further the religious, charitable, scientific, testing for public safety, literary or educational purpose, or any other purpose specified by section 501(c)(3) of the federal internal revenue code, of the organization.
(b) Any organization which is denied an exemption to the tax imposed by this act in which the organization believes that the organization should have been provided such exemption may request an informal conference with the secretary of revenue under K.S.A. 79-3226, and amendments thereto, within 60 days of notice of such denial for a determination of whether such organization should be provided an exemption under the

tangible

Organizations providing child and family housing and facilities, all sales to tangible personal property or service purchased by a contactor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities would be exempt for taxation if purchased directly by such organization.....
(standard PEC language)

and who receive their funding from government contracts, except for food banks.

tangible personal property to fund raising activities that are annual in nature, sale of

and where all proceeds are returned to the organization

provisions of this section.

(c) Nothing in this section shall affect the exemption status of any organization which was provided an exemption from the tax imposed by this act prior to January 1, 2000.

2008

(d) The secretary of revenue shall adopt rules and regulations to carry out the provisions of this act. Such rules and regulations shall include

provisions to: (1) Provide a clear procedure to be utilized by the organization to make application for an exemption, and the department of revenue to review and make determinations to substantiate such organization's qualification for exemption status, including proof of exempt status under section 501(c)(3) of the federal internal revenue code ~~or for organizations not required by the federal internal revenue service to have a section 501(c)(3) determination letter~~, satisfactory verification that the organization is not used or held for profit, proof that the organization has registered with the office of secretary of state and has a current annual report on file with such office, and other documentation needed by the department to make a determination of exemption status; and (2) provide a clear procedure for the organization to seek a review of any adverse determination of exemption status.

(e) The provisions of this section shall apply on and after January 1, 2009.

Sec. 4. K.S.A. 2007 Supp. 79-3692 is hereby amended to read as follows: 79-3692. On and after January 1, 2005, any entity or organization claiming an exemption from sales tax on its purchases of tangible personal property or services based on the status of the entity or organization, under a specific exemption provided by law, shall prior to claiming any such exemption, apply to and obtain from the secretary of revenue an exempt organization identification number. *The secretary shall issue an exempt organization identification number to an entity or organization which is limited to claiming the sales tax exemption on purchases by the entity or organization for programs of the organization that qualify for the exemption as provided by section 1, and amendments thereto.* The secretary shall prescribe the application form for such number, and such entity or organization shall provide with the application information sufficient to establish that such entity or organization qualifies for the sales tax exemption. Such entity shall enter the issued identification number on any exemption certificate presented to any retailer when claiming the sales tax exemption on any purchases *that qualify for the exemption pursuant to K.S.A. 79-3606 or section 1, and amendments thereto.*

Sec. 5. K.S.A. 2007 Supp. 79-3603, 79-3606 and 79-3692 are hereby

certificate

Such certificate shall contain an expiration date. The department shall review and renew such certificates on a periodic basis as determined by the secretary

HOUSE BILL No. 2938

By Committee on Taxation

2-25

Proposed Amendment
to House Bill No. 2938

9 AN ACT concerning sales taxation; relating to certain exemptions; non-
10 profit organizations; amending K.S.A. 2007 Supp. 79-3603, 79-3606
11 and 79-3692 and repealing the existing sections.

12
13 *Be it enacted by the Legislature of the State of Kansas:*

14 New Section 1. (a) The following shall be exempt from the tax im-
15 posed under the Kansas retailers' sales tax act: ~~(1)~~ All sales of personal
16 property or services purchased by organizations which are exempt or
17 would be exempt from federal income taxation pursuant to section
18 501(c)(3) of the federal internal revenue code, and which such personal
19 property and services are used for the purpose of providing adoption and
20 foster care services, aging services, child and family disability and welfare
21 services, domestic violence services, drug abuse and alcohol addiction
22 counseling services, food bank services for persons of low income, ~~health~~
23 ~~care research and services~~ and services for individuals who are deaf. Only
24 sales of personal property and services purchased by the organization for
25 programs of such organization which provide the services specified in the
26 subsection shall qualify for the exemption provided by this subsection;
27 ~~and~~

mental retardation services, mental illness services,
learning disability services

or blind

28 ~~(2) the gross receipts from the sale of admissions or tickets to fund~~
29 ~~raising activities or events not exceeding one day and not exceeding two~~
30 ~~such activities or events per year, all sales of tangible personal property~~
31 ~~or services donated for fund raising purposes, and all sales of publications~~
32 ~~developed by an organization for fund raising purposes, all by an organ-~~
33 ~~ization which is exempt from federal income taxation pursuant to section~~
34 ~~501(c)(3) of the federal internal revenue code, and which such sales are~~
35 ~~dedicated to further the religious, charitable, scientific, testing for public~~
36 ~~safety, literary or educational purpose, or any other purpose specified by~~
37 ~~section 501(c)(3) of the federal internal revenue code, of the organization.~~

38 (b) Any organization which is denied an exemption to the tax imposed
39 by this act in which the organization believes that the organization should
40 have been provided such exemption may request an informal conference
41 with the secretary of revenue under K.S.A. 79-3226, and amendments
42 thereto, within 60 days of notice of such denial for a determination of
43 whether such organization should be provided an exemption under the

1 provisions of this section.

2 (c) Nothing in this section shall affect the exemption status of any
3 organization which was provided an exemption from the tax imposed by
4 this act prior to January 1, 2009.

5 (d) The secretary of revenue shall adopt rules and regulations to carry
6 out the provisions of this act. Such rules and regulations shall include
7 provisions to: (1) Provide a clear procedure to be utilized by the organi-
8 zation to make application for an exemption, and the department of rev-
9 enue to review and make determinations to substantiate such organiza-
10 tion's qualification for exemption status, including proof of exempt status
11 under section 501(c)(3) of the federal internal revenue code or for or-
12 ganizations not required by the federal internal revenue service to have
13 a section 501(c)(3) determination letter, satisfactory verification that the
14 organization is not used or held for profit, proof that the organization has
15 registered with the office of secretary of state and has a current annual
16 report on file with such office, and other documentation needed by the
17 department to make a determination of exemption status; and (2) provide
18 a clear procedure for the organization to seek a review of any adverse
19 determination of exemption status.

or for organizations that would be exempt from federal income taxation pursuant to section 501(c)(3)

20 (e) The provisions of this section shall apply on and after January 1,
21 2009.

The provisions of this section shall be part of and supplemental to the Kansas retailers' sales tax act.
(f)

22 Sec. 2. K.S.A. 2007 Supp. 79-3603 is hereby amended to read as
23 follows: 79-3603. For the privilege of engaging in the business of selling
24 tangible personal property at retail in this state or rendering or furnishing
25 any of the services taxable under this act, there is hereby levied and there
26 shall be collected and paid a tax at the rate of 5.3%. Within a redevelop-
27 ment district established pursuant to K.S.A. 74-8921, and amendments
28 thereto, there is hereby levied and there shall be collected and paid an
29 additional tax at the rate of 2% until the earlier of the date the bonds
30 issued to finance or refinance the redevelopment project have been paid
31 in full or the final scheduled maturity of the first series of bonds issued
32 to finance any part of the project upon:

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

35 (b) the gross receipts from intrastate, interstate or international tel-
36 ecommunications services and any ancillary services sourced to this state
37 in accordance with K.S.A. 2007 Supp. 79-3673, and amendments thereto,
38 except that telecommunications service does not include: (1) Any inter-
39 state or international 800 or 900 service; (2) any interstate or international
40 private communications service as defined in K.S.A. 2007 Supp. 79-3673,
41 and amendments thereto; (3) any value-added nonvoice data service; (4)
42 any telecommunication service to a provider of telecommunication serv-
43 ices which will be used to render telecommunications services, including

1 carrier access services; or (5) any service or transaction defined in this
2 section among entities classified as members of an affiliated group as
3 provided by section 1504 of the federal internal revenue code of 1986, as
4 in effect on January 1, 2001;

5 (c) the gross receipts from the sale or furnishing of gas, water, elec-
6 tricity and heat, which sale is not otherwise exempt from taxation under
7 the provisions of this act, and whether furnished by municipally or pri-
8 vately owned utilities, except that, on and after January 1, 2006, for sales
9 of gas, electricity and heat delivered through mains, lines or pipes to
10 residential premises for noncommercial use by the occupant of such
11 premises, and for agricultural use and also, for such use, all sales of pro-
12 pane gas, the state rate shall be 0%; and for all sales of propane gas, LP
13 gas, coal, wood and other fuel sources for the production of heat or light-
14 ing for noncommercial use of an occupant of residential premises, the
15 state rate shall be 0%, but such tax shall not be levied and collected upon
16 the gross receipts from: (1) The sale of a rural water district benefit unit;
17 (2) a water system impact fee, system enhancement fee or similar fee
18 collected by a water supplier as a condition for establishing service; or (3)
19 connection or reconnection fees collected by a water supplier;

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

24 (e) the gross receipts from the sale of admissions to any place pro-
25 viding amusement, entertainment or recreation services including admis-
26 sions to state, county, district and local fairs, but such tax shall not be
27 levied and collected upon the gross receipts received from sales of ad-
28 missions to any cultural and historical event which occurs triennially;

29 (f) the gross receipts from the operation of any coin-operated device
30 dispensing or providing tangible personal property, amusement or other
31 services except laundry services, whether automatic or manually operated;

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

39 (h) the gross receipts from the service of renting or leasing of tangible
40 personal property except such tax shall not apply to the renting or leasing
41 of machinery, equipment or other personal property owned by a city and
42 purchased from the proceeds of industrial revenue bonds issued prior to
43 July 1, 1973, in accordance with the provisions of K.S.A. 12-1740 through