

## HOUSE Substitute for SENATE BILL No. 59

By Committee on Taxation

5-4

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1 AN ACT concerning property taxation; relating to exemptions;  
2 commercial and industrial machinery and equipment; classification;  
3 amending K.S.A. 2011 Supp. 79-223 and repealing the existing section.  
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5 *Be it enacted by the Legislature of the State of Kansas:*

6 Section 1. K.S.A. 2011 Supp. 79-223 is hereby amended to read as  
7 follows: 79-223. (a) It is the purpose of this section to promote, stimulate,  
8 foster and encourage new investments in commercial and industrial  
9 machinery and equipment in the state of Kansas, to contribute to the  
10 economic recovery of the state, to enhance business opportunities in the  
11 state, to encourage the location of new businesses and industries in the  
12 state as well as the retention and expansion of existing businesses and  
13 industries and to promote the economic stability of the state by  
14 maintaining and providing employment opportunities, thereby contributing  
15 to the general welfare of the citizens of the state, by exempting from  
16 property taxation all newly purchased or leased commercial and industrial  
17 machinery and equipment, including machinery and equipment transferred  
18 into this state for the purpose of expanding an existing business or for the  
19 creation of a new business.

20 (b) The following described property, to the extent specified by this  
21 section, shall be and is hereby exempt from all property or *ad valorem*  
22 taxes levied under the laws of the state of Kansas:

23 *First.* Commercial and industrial machinery and equipment acquired  
24 by qualified purchase or lease made or entered into after June 30, 2006, as  
25 the result of a *bona fide* transaction not consummated for the purpose of  
26 avoiding taxation.

27 *Second.* Commercial and industrial machinery and equipment  
28 transported into this state after June 30, 2006, for the purpose of expanding  
29 an existing business or creation of a new business.

30 (c) Any purchase, lease or transportation of commercial and industrial  
31 machinery and equipment consummated for the purpose of avoiding  
32 taxation shall subject the property to the penalty provisions of K.S.A. 79-  
33 1422 and 79-1427a, and amendments thereto. The county appraiser shall  
34 not reclassify any property that is properly classified for property tax  
35 purposes within subclass (5) of class 2 of section 1 of article 11 of the  
36 constitution of the state of Kansas.

1       (d) *Commercial and industrial machinery and equipment which was*  
2 *subject to and approved for abatement and exempted, or classified as*  
3 *personal property as of July 1, 2006, shall be classified as personal*  
4 *property and shall not be reclassified to any other property tax class or*  
5 *subclass.*

6       (e) *Any commercial and industrial machinery and equipment*  
7 *acquired on or after January 1, 2011, and exempted pursuant to this*  
8 *section shall not lose such exemption by its attachment, annexation or*  
9 *adaption to real estate. The provisions of this subsection shall expire and*  
10 *have no effect on and after July 1, 2014.*

11       (f) As used in this section:

12       (1) "Acquired" shall not include the transfer of property pursuant to  
13 an exchange for stock securities, or the transfer of assets from one going  
14 concern to another due to a merger, reorganization or other consolidation;

15       (2) "commercial and industrial machinery and equipment" means  
16 property classified for property tax purposes within subclass (5) of class 2  
17 of section 1 of article 11 of the constitution of the state of Kansas;

18       (3) "qualified lease" means a lease of commercial and industrial  
19 machinery and equipment for not less than 30 days for fair and valuable  
20 consideration where such machinery and equipment is physically  
21 transferred to the lessee to be used in the lessee's business or trade; and

22       (4) "qualified purchase" means a purchase of commercial and  
23 industrial machinery and equipment for fair and valuable consideration  
24 where such machinery and equipment is physically transferred to the  
25 purchaser to be used in the purchaser's business or trade.

26       ~~(e)~~ (g) The secretary of revenue is hereby authorized to adopt rules  
27 and regulations to administer the provisions of this section.

28       Sec. 2. K.S.A. 2011 Supp. 79-223 is hereby repealed.

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

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