

## HOUSE BILL No. 2379

By Committee on Taxation

2-26

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1 AN ACT concerning gold and silver bullion coins; recognizing as legal  
2 tender; income tax, modifications; sales taxation, exemptions;  
3 amending K.S.A. 2012 Supp. 79-32,117 and 79-3606 and repealing the  
4 existing sections.  
5

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

7 New Section 1. Gold and silver bullion coins issued by the federal  
8 government are legal tender in this state. A person may not compel any  
9 other person to tender or accept gold and silver coins that are issued by the  
10 federal government.

11 Sec. 2. K.S.A. 2012 Supp. 79-32,117 is hereby amended to read as  
12 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual  
13 means such individual's federal adjusted gross income for the taxable year,  
14 with the modifications specified in this section.

15 (b) There shall be added to federal adjusted gross income:

16 (i) Interest income less any related expenses directly incurred in the  
17 purchase of state or political subdivision obligations, to the extent that the  
18 same is not included in federal adjusted gross income, on obligations of  
19 any state or political subdivision thereof, but to the extent that interest  
20 income on obligations of this state or a political subdivision thereof issued  
21 prior to January 1, 1988, is specifically exempt from income tax under the  
22 laws of this state authorizing the issuance of such obligations, it shall be  
23 excluded from computation of Kansas adjusted gross income whether or  
24 not included in federal adjusted gross income. Interest income on  
25 obligations of this state or a political subdivision thereof issued after  
26 December 31, 1987, shall be excluded from computation of Kansas  
27 adjusted gross income whether or not included in federal adjusted gross  
28 income.

29 (ii) Taxes on or measured by income or fees or payments in lieu of  
30 income taxes imposed by this state or any other taxing jurisdiction to the  
31 extent deductible in determining federal adjusted gross income and not  
32 credited against federal income tax. This paragraph shall not apply to taxes  
33 imposed under the provisions of K.S.A. 79-1107 or 79-1108, and  
34 amendments thereto, for privilege tax year 1995, and all such years  
35 thereafter.

36 (iii) The federal net operating loss deduction.

1 (iv) Federal income tax refunds received by the taxpayer if the  
2 deduction of the taxes being refunded resulted in a tax benefit for Kansas  
3 income tax purposes during a prior taxable year. Such refunds shall be  
4 included in income in the year actually received regardless of the method  
5 of accounting used by the taxpayer. For purposes hereof, a tax benefit shall  
6 be deemed to have resulted if the amount of the tax had been deducted in  
7 determining income subject to a Kansas income tax for a prior year  
8 regardless of the rate of taxation applied in such prior year to the Kansas  
9 taxable income, but only that portion of the refund shall be included as  
10 bears the same proportion to the total refund received as the federal taxes  
11 deducted in the year to which such refund is attributable bears to the total  
12 federal income taxes paid for such year. For purposes of the foregoing  
13 sentence, federal taxes shall be considered to have been deducted only to  
14 the extent such deduction does not reduce Kansas taxable income below  
15 zero.

16 (v) The amount of any depreciation deduction or business expense  
17 deduction claimed on the taxpayer's federal income tax return for any  
18 capital expenditure in making any building or facility accessible to the  
19 handicapped, for which expenditure the taxpayer claimed the credit  
20 allowed by K.S.A. 79-32,177, and amendments thereto.

21 (vi) Any amount of designated employee contributions picked up by  
22 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,  
23 and amendments thereto.

24 (vii) The amount of any charitable contribution made to the extent the  
25 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-  
26 32,196, and amendments thereto.

27 (viii) The amount of any costs incurred for improvements to a swine  
28 facility, claimed for deduction in determining federal adjusted gross  
29 income, to the extent the same is claimed as the basis for any credit  
30 allowed pursuant to K.S.A. 2012 Supp. 79-32,204, and amendments  
31 thereto.

32 (ix) The amount of any ad valorem taxes and assessments paid and  
33 the amount of any costs incurred for habitat management or construction  
34 and maintenance of improvements on real property, claimed for deduction  
35 in determining federal adjusted gross income, to the extent the same is  
36 claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,203,  
37 and amendments thereto.

38 (x) Amounts received as nonqualified withdrawals, as defined by  
39 K.S.A. 2012 Supp. 75-643, and amendments thereto, if, at the time of  
40 contribution to a family postsecondary education savings account, such  
41 amounts were subtracted from the federal adjusted gross income pursuant  
42 to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amendments  
43 thereto, or if such amounts are not already included in the federal adjusted

1 gross income.

2 (xi) The amount of any contribution made to the same extent the  
3 same is claimed as the basis for the credit allowed pursuant to K.S.A. 2012  
4 Supp. 74-50,154, and amendments thereto.

5 (xii) For taxable years commencing after December 31, 2004,  
6 amounts received as withdrawals not in accordance with the provisions of  
7 K.S.A. 2012 Supp. 74-50,204, and amendments thereto, if, at the time of  
8 contribution to an individual development account, such amounts were  
9 subtracted from the federal adjusted gross income pursuant to paragraph  
10 (xiii) of subsection (c), or if such amounts are not already included in the  
11 federal adjusted gross income.

12 (xiii) The amount of any expenditures claimed for deduction in  
13 determining federal adjusted gross income, to the extent the same is  
14 claimed as the basis for any credit allowed pursuant to K.S.A. 2012 Supp.  
15 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

16 (xiv) The amount of any amortization deduction claimed in  
17 determining federal adjusted gross income to the extent the same is  
18 claimed for deduction pursuant to K.S.A. 2012 Supp. 79-32,221, and  
19 amendments thereto.

20 (xv) The amount of any expenditures claimed for deduction in  
21 determining federal adjusted gross income, to the extent the same is  
22 claimed as the basis for any credit allowed pursuant to K.S.A. 2012 Supp.  
23 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233  
24 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-  
25 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

26 (xvi) The amount of any amortization deduction claimed in  
27 determining federal adjusted gross income to the extent the same is  
28 claimed for deduction pursuant to K.S.A. 2012 Supp. 79-32,227, 79-  
29 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments  
30 thereto.

31 (xvii) The amount of any amortization deduction claimed in  
32 determining federal adjusted gross income to the extent the same is  
33 claimed for deduction pursuant to K.S.A. 2012 Supp. 79-32,256, and  
34 amendments thereto.

35 (xviii) For taxable years commencing after December 31, 2006, the  
36 amount of any ad valorem or property taxes and assessments paid to a state  
37 other than Kansas or local government located in a state other than Kansas  
38 by a taxpayer who resides in a state other than Kansas, when the law of  
39 such state does not allow a resident of Kansas who earns income in such  
40 other state to claim a deduction for ad valorem or property taxes or  
41 assessments paid to a political subdivision of the state of Kansas in  
42 determining taxable income for income tax purposes in such other state, to  
43 the extent that such taxes and assessments are claimed as an itemized

1 deduction for federal income tax purposes.

2 (xix) For all taxable years beginning after December 31, 2012, the  
3 amount of any: (1) Loss from business as determined under the federal  
4 internal revenue code and reported from schedule C and on line 12 of the  
5 taxpayer's form 1040 federal individual income tax return; (2) loss from  
6 rental real estate, royalties, partnerships, S corporations, estates, trusts,  
7 residual interest in real estate mortgage investment conduits and net farm  
8 rental as determined under the federal internal revenue code and reported  
9 from schedule E and on line 17 of the taxpayer's form 1040 federal  
10 individual income tax return; and (3) farm loss as determined under the  
11 federal internal revenue code and reported from schedule F and on line 18  
12 of the taxpayer's form 1040 federal income tax return; all to the extent  
13 deducted or subtracted in determining the taxpayer's federal adjusted gross  
14 income. For purposes of this subsection, references to the federal form  
15 1040 and federal schedule C, schedule E, and schedule F, shall be to such  
16 form and schedules as they existed for tax year 2011, and as revised  
17 thereafter by the internal revenue service.

18 (xx) For all taxable years beginning after December 31, 2012, the  
19 amount of any deduction for self-employment taxes under section 164(f)  
20 of the federal internal revenue code as in effect on January 1, 2012, and  
21 amendments thereto, in determining the federal adjusted gross income of  
22 an individual taxpayer.

23 (xxi) For all taxable years beginning after December 31, 2012, the  
24 amount of any deduction for pension, profit sharing, and annuity plans of  
25 self-employed individuals under section 62(a)(6) of the federal internal  
26 revenue code as in effect on January 1, 2012, and amendments thereto, in  
27 determining the federal adjusted gross income of an individual taxpayer.

28 (xxii) For all taxable years beginning after December 31, 2012, the  
29 amount of any deduction for health insurance under section 162(l) of the  
30 federal internal revenue code as in effect on January 1, 2012, and  
31 amendments thereto, in determining the federal adjusted gross income of  
32 an individual taxpayer.

33 (xxiii) For all taxable years beginning after December 31, 2012, the  
34 amount of any deduction for domestic production activities under section  
35 199 of the federal internal revenue code as in effect on January 1, 2012,  
36 and amendments thereto, in determining the federal adjusted gross income  
37 of an individual taxpayer.

38 (c) There shall be subtracted from federal adjusted gross income:

39 (i) Interest or dividend income on obligations or securities of any  
40 authority, commission or instrumentality of the United States and its  
41 possessions less any related expenses directly incurred in the purchase of  
42 such obligations or securities, to the extent included in federal adjusted  
43 gross income but exempt from state income taxes under the laws of the

1 United States.

2 (ii) Any amounts received which are included in federal adjusted  
3 gross income but which are specifically exempt from Kansas income  
4 taxation under the laws of the state of Kansas.

5 (iii) The portion of any gain or loss from the sale or other disposition  
6 of property having a higher adjusted basis for Kansas income tax purposes  
7 than for federal income tax purposes on the date such property was sold or  
8 disposed of in a transaction in which gain or loss was recognized for  
9 purposes of federal income tax that does not exceed such difference in  
10 basis, but if a gain is considered a long-term capital gain for federal  
11 income tax purposes, the modification shall be limited to that portion of  
12 such gain which is included in federal adjusted gross income.

13 (iv) The amount necessary to prevent the taxation under this act of  
14 any annuity or other amount of income or gain which was properly  
15 included in income or gain and was taxed under the laws of this state for a  
16 taxable year prior to the effective date of this act, as amended, to the  
17 taxpayer, or to a decedent by reason of whose death the taxpayer acquired  
18 the right to receive the income or gain, or to a trust or estate from which  
19 the taxpayer received the income or gain.

20 (v) The amount of any refund or credit for overpayment of taxes on  
21 or measured by income or fees or payments in lieu of income taxes  
22 imposed by this state, or any taxing jurisdiction, to the extent included in  
23 gross income for federal income tax purposes.

24 (vi) Accumulation distributions received by a taxpayer as a  
25 beneficiary of a trust to the extent that the same are included in federal  
26 adjusted gross income.

27 (vii) Amounts received as annuities under the federal civil service  
28 retirement system from the civil service retirement and disability fund and  
29 other amounts received as retirement benefits in whatever form which  
30 were earned for being employed by the federal government or for service  
31 in the armed forces of the United States.

32 (viii) Amounts received by retired railroad employees as a  
33 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and  
34 228c (a)(1) et seq.

35 (ix) Amounts received by retired employees of a city and by retired  
36 employees of any board of such city as retirement allowances pursuant to  
37 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter  
38 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and  
39 amendments thereto.

40 (x) For taxable years beginning after December 31, 1976, the amount  
41 of the federal tentative jobs tax credit disallowance under the provisions of  
42 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the  
43 amount of the targeted jobs tax credit and work incentive credit

1 disallowances under 26 U.S.C. § 280 C.

2 (xi) For taxable years beginning after December 31, 1986, dividend  
3 income on stock issued by Kansas Venture Capital, Inc.

4 (xii) For taxable years beginning after December 31, 1989, amounts  
5 received by retired employees of a board of public utilities as pension and  
6 retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249,  
7 and amendments thereto.

8 (xiii) For taxable years beginning after December 31, 2004, amounts  
9 contributed to and the amount of income earned on contributions deposited  
10 to an individual development account under K.S.A. 2012 Supp. 74-50,201  
11 et seq., and amendments thereto.

12 (xiv) For all taxable years commencing after December 31, 1996, that  
13 portion of any income of a bank organized under the laws of this state or  
14 any other state, a national banking association organized under the laws of  
15 the United States, an association organized under the savings and loan  
16 code of this state or any other state, or a federal savings association  
17 organized under the laws of the United States, for which an election as an  
18 S corporation under subchapter S of the federal internal revenue code is in  
19 effect, which accrues to the taxpayer who is a stockholder of such  
20 corporation and which is not distributed to the stockholders as dividends of  
21 the corporation. For all taxable years beginning after December 31, 2012,  
22 the amount of modification under this subsection shall exclude the portion  
23 of income or loss reported on schedule E and included on line 17 of the  
24 taxpayer's form 1040 federal individual income tax return.

25 (xv) For all taxable years beginning after December 31, 2006,  
26 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a  
27 joint return, for each designated beneficiary which are contributed to a  
28 family postsecondary education savings account established under the  
29 Kansas postsecondary education savings program or a qualified tuition  
30 program established and maintained by another state or agency or  
31 instrumentality thereof pursuant to section 529 of the internal revenue  
32 code of 1986, as amended, for the purpose of paying the qualified higher  
33 education expenses of a designated beneficiary at an institution of  
34 postsecondary education. The terms and phrases used in this paragraph  
35 shall have the meaning respectively ascribed thereto by the provisions of  
36 K.S.A. 2012 Supp. 75-643, and amendments thereto, and the provisions of  
37 such section are hereby incorporated by reference for all purposes thereof.

38 (xvi) For all taxable years beginning after December 31, 2004,  
39 amounts received by taxpayers who are or were members of the armed  
40 forces of the United States, including service in the Kansas army and air  
41 national guard, as a recruitment, sign up or retention bonus received by  
42 such taxpayer as an incentive to join, enlist or remain in the armed services  
43 of the United States, including service in the Kansas army and air national

1 guard, and amounts received for repayment of educational or student loans  
2 incurred by or obligated to such taxpayer and received by such taxpayer as  
3 a result of such taxpayer's service in the armed forces of the United States,  
4 including service in the Kansas army and air national guard.

5 (xvii) For all taxable years beginning after December 31, 2004,  
6 amounts received by taxpayers who are eligible members of the Kansas  
7 army and air national guard as a reimbursement pursuant to K.S.A. 48-  
8 281, and amendments thereto, and amounts received for death benefits  
9 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section  
10 1 or section 2 of chapter 207 of the 2005 session laws of Kansas, and  
11 amendments thereto, to the extent that such death benefits are included in  
12 federal adjusted gross income of the taxpayer.

13 (xviii) For the taxable year beginning after December 31, 2006,  
14 amounts received as benefits under the federal social security act which  
15 are included in federal adjusted gross income of a taxpayer with federal  
16 adjusted gross income of \$50,000 or less, whether such taxpayer's filing  
17 status is single, head of household, married filing separate or married filing  
18 jointly; and for all taxable years beginning after December 31, 2007,  
19 amounts received as benefits under the federal social security act which  
20 are included in federal adjusted gross income of a taxpayer with federal  
21 adjusted gross income of \$75,000 or less, whether such taxpayer's filing  
22 status is single, head of household, married filing separate or married filing  
23 jointly.

24 (xix) Amounts received by retired employees of Washburn university  
25 as retirement and pension benefits under the university's retirement plan.

26 (xx) For all taxable years beginning after December 31, 2012, the  
27 amount of any: (1) Net profit from business as determined under the  
28 federal internal revenue code and reported from schedule C and on line 12  
29 of the taxpayer's form 1040 federal individual income tax return; (2) net  
30 income from rental real estate, royalties, partnerships, S corporations,  
31 estates, trusts, residual interest in real estate mortgage investment conduits  
32 and net farm rental as determined under the federal internal revenue code  
33 and reported from schedule E and on line 17 of the taxpayer's form 1040  
34 federal individual income tax return; and (3) net farm profit as determined  
35 under the federal internal revenue code and reported from schedule F and  
36 on line 18 of the taxpayer's form 1040 federal income tax return; all to the  
37 extent included in the taxpayer's federal adjusted gross income. For  
38 purposes of this subsection, references to the federal form 1040 and  
39 federal schedule C, schedule E, and schedule F, shall be to such form and  
40 schedules as they existed for tax year 2011 and as revised thereafter by the  
41 internal revenue service.

42 (xxi) *For all taxable years commencing after December 31, 2012, the*  
43 *amount of any capital gain realized on the sale of gold or silver bullion*

1 *coins issued by the federal government, to the extent that such gain is*  
2 *included in the taxpayer's federal adjusted gross income.*

3 (d) There shall be added to or subtracted from federal adjusted gross  
4 income the taxpayer's share, as beneficiary of an estate or trust, of the  
5 Kansas fiduciary adjustment determined under K.S.A. 79-32,135, and  
6 amendments thereto.

7 (e) The amount of modifications required to be made under this  
8 section by a partner which relates to items of income, gain, loss, deduction  
9 or credit of a partnership shall be determined under K.S.A. 79-32,131, and  
10 amendments thereto, to the extent that such items affect federal adjusted  
11 gross income of the partner.

12 Sec. 3. K.S.A. 2012 Supp. 79-3606 is hereby amended to read as  
13 follows: 79-3606. The following shall be exempt from the tax imposed by  
14 this act:

15 (a) All sales of motor-vehicle fuel or other articles upon which a sales  
16 or excise tax has been paid, not subject to refund, under the laws of this  
17 state except cigarettes as defined by K.S.A. 79-3301, and amendments  
18 thereto, cereal malt beverages and malt products as defined by K.S.A. 79-  
19 3817, and amendments thereto, including wort, liquid malt, malt syrup and  
20 malt extract, which is not subject to taxation under the provisions of  
21 K.S.A. 79-41a02, and amendments thereto, motor vehicles taxed pursuant  
22 to K.S.A. 79-5117, and amendments thereto, tires taxed pursuant to K.S.A.  
23 65-3424d, and amendments thereto, drycleaning and laundry services  
24 taxed pursuant to K.S.A. 65-34,150, and amendments thereto, and gross  
25 receipts from regulated sports contests taxed pursuant to the Kansas  
26 professional regulated sports act, and amendments thereto;

27 (b) all sales of tangible personal property or service, including the  
28 renting and leasing of tangible personal property, purchased directly by the  
29 state of Kansas, a political subdivision thereof, other than a school or  
30 educational institution, or purchased by a public or private nonprofit  
31 hospital or public hospital authority or nonprofit blood, tissue or organ  
32 bank and used exclusively for state, political subdivision, hospital or  
33 public hospital authority or nonprofit blood, tissue or organ bank purposes,  
34 except when: (1) Such state, hospital or public hospital authority is  
35 engaged or proposes to engage in any business specifically taxable under  
36 the provisions of this act and such items of tangible personal property or  
37 service are used or proposed to be used in such business, or (2) such  
38 political subdivision is engaged or proposes to engage in the business of  
39 furnishing gas, electricity or heat to others and such items of personal  
40 property or service are used or proposed to be used in such business;

41 (c) all sales of tangible personal property or services, including the  
42 renting and leasing of tangible personal property, purchased directly by a  
43 public or private elementary or secondary school or public or private



1 nonprofit educational institution and used primarily by such school or  
2 institution for nonsectarian programs and activities provided or sponsored  
3 by such school or institution or in the erection, repair or enlargement of  
4 buildings to be used for such purposes. The exemption herein provided  
5 shall not apply to erection, construction, repair, enlargement or equipment  
6 of buildings used primarily for human habitation;

7 (d) all sales of tangible personal property or services purchased by a  
8 contractor for the purpose of constructing, equipping, reconstructing,  
9 maintaining, repairing, enlarging, furnishing or remodeling facilities for  
10 any public or private nonprofit hospital or public hospital authority, public  
11 or private elementary or secondary school, a public or private nonprofit  
12 educational institution, state correctional institution including a privately  
13 constructed correctional institution contracted for state use and ownership,  
14 which would be exempt from taxation under the provisions of this act if  
15 purchased directly by such hospital or public hospital authority, school,  
16 educational institution or a state correctional institution; and all sales of  
17 tangible personal property or services purchased by a contractor for the  
18 purpose of constructing, equipping, reconstructing, maintaining, repairing,  
19 enlarging, furnishing or remodeling facilities for any political subdivision  
20 of the state or district described in subsection (s), the total cost of which is  
21 paid from funds of such political subdivision or district and which would  
22 be exempt from taxation under the provisions of this act if purchased  
23 directly by such political subdivision or district. Nothing in this subsection  
24 or in the provisions of K.S.A. 12-3418, and amendments thereto, shall be  
25 deemed to exempt the purchase of any construction machinery, equipment  
26 or tools used in the constructing, equipping, reconstructing, maintaining,  
27 repairing, enlarging, furnishing or remodeling facilities for any political  
28 subdivision of the state or any such district. As used in this subsection,  
29 K.S.A. 12-3418 and 79-3640, and amendments thereto, "funds of a  
30 political subdivision" shall mean general tax revenues, the proceeds of any  
31 bonds and gifts or grants-in-aid. Gifts shall not mean funds used for the  
32 purpose of constructing, equipping, reconstructing, repairing, enlarging,  
33 furnishing or remodeling facilities which are to be leased to the donor.  
34 When any political subdivision of the state, district described in subsection  
35 (s), public or private nonprofit hospital or public hospital authority, public  
36 or private elementary or secondary school, public or private nonprofit  
37 educational institution, state correctional institution including a privately  
38 constructed correctional institution contracted for state use and ownership  
39 shall contract for the purpose of constructing, equipping, reconstructing,  
40 maintaining, repairing, enlarging, furnishing or remodeling facilities, it  
41 shall obtain from the state and furnish to the contractor an exemption  
42 certificate for the project involved, and the contractor may purchase  
43 materials for incorporation in such project. The contractor shall furnish the

1 number of such certificate to all suppliers from whom such purchases are  
2 made, and such suppliers shall execute invoices covering the same bearing  
3 the number of such certificate. Upon completion of the project the  
4 contractor shall furnish to the political subdivision, district described in  
5 subsection (s), hospital or public hospital authority, school, educational  
6 institution or department of corrections concerned a sworn statement, on a  
7 form to be provided by the director of taxation, that all purchases so made  
8 were entitled to exemption under this subsection. As an alternative to the  
9 foregoing procedure, any such contracting entity may apply to the  
10 secretary of revenue for agent status for the sole purpose of issuing and  
11 furnishing project exemption certificates to contractors pursuant to rules  
12 and regulations adopted by the secretary establishing conditions and  
13 standards for the granting and maintaining of such status. All invoices  
14 shall be held by the contractor for a period of five years and shall be  
15 subject to audit by the director of taxation. If any materials purchased  
16 under such a certificate are found not to have been incorporated in the  
17 building or other project or not to have been returned for credit or the sales  
18 or compensating tax otherwise imposed upon such materials which will  
19 not be so incorporated in the building or other project reported and paid by  
20 such contractor to the director of taxation not later than the 20<sup>th</sup> day of the  
21 month following the close of the month in which it shall be determined  
22 that such materials will not be used for the purpose for which such  
23 certificate was issued, the political subdivision, district described in  
24 subsection (s), hospital or public hospital authority, school, educational  
25 institution or the contractor contracting with the department of corrections  
26 for a correctional institution concerned shall be liable for tax on all  
27 materials purchased for the project, and upon payment thereof it may  
28 recover the same from the contractor together with reasonable attorney  
29 fees. Any contractor or any agent, employee or subcontractor thereof, who  
30 shall use or otherwise dispose of any materials purchased under such a  
31 certificate for any purpose other than that for which such a certificate is  
32 issued without the payment of the sales or compensating tax otherwise  
33 imposed upon such materials, shall be guilty of a misdemeanor and, upon  
34 conviction therefor, shall be subject to the penalties provided for in  
35 subsection (g) of K.S.A. 79-3615, and amendments thereto;

36 (e) all sales of tangible personal property or services purchased by a  
37 contractor for the erection, repair or enlargement of buildings or other  
38 projects for the government of the United States, its agencies or  
39 instrumentalities, which would be exempt from taxation if purchased  
40 directly by the government of the United States, its agencies or  
41 instrumentalities. When the government of the United States, its agencies  
42 or instrumentalities shall contract for the erection, repair, or enlargement  
43 of any building or other project, it shall obtain from the state and furnish to

1 the contractor an exemption certificate for the project involved, and the  
2 contractor may purchase materials for incorporation in such project. The  
3 contractor shall furnish the number of such certificates to all suppliers  
4 from whom such purchases are made, and such suppliers shall execute  
5 invoices covering the same bearing the number of such certificate. Upon  
6 completion of the project the contractor shall furnish to the government of  
7 the United States, its agencies or instrumentalities concerned a sworn  
8 statement, on a form to be provided by the director of taxation, that all  
9 purchases so made were entitled to exemption under this subsection. As an  
10 alternative to the foregoing procedure, any such contracting entity may  
11 apply to the secretary of revenue for agent status for the sole purpose of  
12 issuing and furnishing project exemption certificates to contractors  
13 pursuant to rules and regulations adopted by the secretary establishing  
14 conditions and standards for the granting and maintaining of such status.  
15 All invoices shall be held by the contractor for a period of five years and  
16 shall be subject to audit by the director of taxation. Any contractor or any  
17 agent, employee or subcontractor thereof, who shall use or otherwise  
18 dispose of any materials purchased under such a certificate for any purpose  
19 other than that for which such a certificate is issued without the payment  
20 of the sales or compensating tax otherwise imposed upon such materials,  
21 shall be guilty of a misdemeanor and, upon conviction therefor, shall be  
22 subject to the penalties provided for in subsection (g) of K.S.A. 79-3615,  
23 and amendments thereto;

24 (f) tangible personal property purchased by a railroad or public utility  
25 for consumption or movement directly and immediately in interstate  
26 commerce;

27 (g) sales of aircraft including remanufactured and modified aircraft  
28 sold to persons using directly or through an authorized agent such aircraft  
29 as certified or licensed carriers of persons or property in interstate or  
30 foreign commerce under authority of the laws of the United States or any  
31 foreign government or sold to any foreign government or agency or  
32 instrumentality of such foreign government and all sales of aircraft for use  
33 outside of the United States and sales of aircraft repair, modification and  
34 replacement parts and sales of services employed in the remanufacture,  
35 modification and repair of aircraft;

36 (h) all rentals of nonsectarian textbooks by public or private  
37 elementary or secondary schools;

38 (i) the lease or rental of all films, records, tapes, or any type of sound  
39 or picture transcriptions used by motion picture exhibitors;

40 (j) meals served without charge or food used in the preparation of  
41 such meals to employees of any restaurant, eating house, dining car, hotel,  
42 drugstore or other place where meals or drinks are regularly sold to the  
43 public if such employees' duties are related to the furnishing or sale of

1 such meals or drinks;

2 (k) any motor vehicle, semitrailer or pole trailer, as such terms are  
3 defined by K.S.A. 8-126, and amendments thereto, or aircraft sold and  
4 delivered in this state to a bona fide resident of another state, which motor  
5 vehicle, semitrailer, pole trailer or aircraft is not to be registered or based  
6 in this state and which vehicle, semitrailer, pole trailer or aircraft will not  
7 remain in this state more than 10 days;

8 (l) all isolated or occasional sales of tangible personal property,  
9 services, substances or things, except isolated or occasional sale of motor  
10 vehicles specifically taxed under the provisions of subsection (o) of K.S.A.  
11 79-3603, and amendments thereto;

12 (m) all sales of tangible personal property which become an  
13 ingredient or component part of tangible personal property or services  
14 produced, manufactured or compounded for ultimate sale at retail within  
15 or without the state of Kansas; and any such producer, manufacturer or  
16 compounder may obtain from the director of taxation and furnish to the  
17 supplier an exemption certificate number for tangible personal property for  
18 use as an ingredient or component part of the property or services  
19 produced, manufactured or compounded;

20 (n) all sales of tangible personal property which is consumed in the  
21 production, manufacture, processing, mining, drilling, refining or  
22 compounding of tangible personal property, the treating of by-products or  
23 wastes derived from any such production process, the providing of  
24 services or the irrigation of crops for ultimate sale at retail within or  
25 without the state of Kansas; and any purchaser of such property may  
26 obtain from the director of taxation and furnish to the supplier an  
27 exemption certificate number for tangible personal property for  
28 consumption in such production, manufacture, processing, mining,  
29 drilling, refining, compounding, treating, irrigation and in providing such  
30 services;

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

37 (p) all sales of drugs dispensed pursuant to a prescription order by a  
38 licensed practitioner or a mid-level practitioner as defined by K.S.A. 65-  
39 1626, and amendments thereto. As used in this subsection, "drug" means a  
40 compound, substance or preparation and any component of a compound,  
41 substance or preparation, other than food and food ingredients, dietary  
42 supplements or alcoholic beverages, recognized in the official United  
43 States pharmacopoeia, official homeopathic pharmacopoeia of the United

1 States or official national formulary, and supplement to any of them,  
2 intended for use in the diagnosis, cure, mitigation, treatment or prevention  
3 of disease or intended to affect the structure or any function of the body;

4 (q) all sales of insulin dispensed by a person licensed by the state  
5 board of pharmacy to a person for treatment of diabetes at the direction of  
6 a person licensed to practice medicine by the board of healing arts;

7 (r) all sales of oxygen delivery equipment, kidney dialysis equipment,  
8 enteral feeding systems, prosthetic devices and mobility enhancing  
9 equipment prescribed in writing by a person licensed to practice the  
10 healing arts, dentistry or optometry, and in addition to such sales, all sales  
11 of hearing aids, as defined by subsection (c) of K.S.A. 74-5807, and  
12 amendments thereto, and repair and replacement parts therefor, including  
13 batteries, by a person licensed in the practice of dispensing and fitting  
14 hearing aids pursuant to the provisions of K.S.A. 74-5808, and  
15 amendments thereto. For the purposes of this subsection: (1) "Mobility  
16 enhancing equipment" means equipment including repair and replacement  
17 parts to same, but does not include durable medical equipment, which is  
18 primarily and customarily used to provide or increase the ability to move  
19 from one place to another and which is appropriate for use either in a  
20 home or a motor vehicle; is not generally used by persons with normal  
21 mobility; and does not include any motor vehicle or equipment on a motor  
22 vehicle normally provided by a motor vehicle manufacturer; and (2)  
23 "prosthetic device" means a replacement, corrective or supportive device  
24 including repair and replacement parts for same worn on or in the body to  
25 artificially replace a missing portion of the body, prevent or correct  
26 physical deformity or malfunction or support a weak or deformed portion  
27 of the body;

28 (s) except as provided in K.S.A. 2012 Supp. 82a-2101, and  
29 amendments thereto, all sales of tangible personal property or services  
30 purchased directly or indirectly by a groundwater management district  
31 organized or operating under the authority of K.S.A. 82a-1020 et seq., and  
32 amendments thereto, by a rural water district organized or operating under  
33 the authority of K.S.A. 82a-612, and amendments thereto, or by a water  
34 supply district organized or operating under the authority of K.S.A. 19-  
35 3501 et seq., 19-3522 et seq., or 19-3545, and amendments thereto, which  
36 property or services are used in the construction activities, operation or  
37 maintenance of the district;

38 (t) all sales of farm machinery and equipment or aquaculture  
39 machinery and equipment, repair and replacement parts therefor and  
40 services performed in the repair and maintenance of such machinery and  
41 equipment. For the purposes of this subsection the term "farm machinery  
42 and equipment or aquaculture machinery and equipment" shall include a  
43 work-site utility vehicle, as defined in K.S.A. 8-126, and amendments

1 thereto, and is equipped with a bed or cargo box for hauling materials, and  
2 shall also include machinery and equipment used in the operation of  
3 Christmas tree farming but shall not include any passenger vehicle, truck,  
4 truck tractor, trailer, semitrailer or pole trailer, other than a farm trailer, as  
5 such terms are defined by K.S.A. 8-126, and amendments thereto. "Farm  
6 machinery and equipment" includes precision farming equipment that is  
7 portable or is installed or purchased to be installed on farm machinery and  
8 equipment. "Precision farming equipment" includes the following items  
9 used only in computer-assisted farming, ranching or aquaculture  
10 production operations: Soil testing sensors, yield monitors, computers,  
11 monitors, software, global positioning and mapping systems, guiding  
12 systems, modems, data communications equipment and any necessary  
13 mounting hardware, wiring and antennas. Each purchaser of farm  
14 machinery and equipment or aquaculture machinery and equipment  
15 exempted herein must certify in writing on the copy of the invoice or sales  
16 ticket to be retained by the seller that the farm machinery and equipment  
17 or aquaculture machinery and equipment purchased will be used only in  
18 farming, ranching or aquaculture production. Farming or ranching shall  
19 include the operation of a feedlot and farm and ranch work for hire and the  
20 operation of a nursery;

21 (u) all leases or rentals of tangible personal property used as a  
22 dwelling if such tangible personal property is leased or rented for a period  
23 of more than 28 consecutive days;

24 (v) all sales of tangible personal property to any contractor for use in  
25 preparing meals for delivery to homebound elderly persons over 60 years  
26 of age and to homebound disabled persons or to be served at a group-  
27 sitting at a location outside of the home to otherwise homebound elderly  
28 persons over 60 years of age and to otherwise homebound disabled  
29 persons, as all or part of any food service project funded in whole or in  
30 part by government or as part of a private nonprofit food service project  
31 available to all such elderly or disabled persons residing within an area of  
32 service designated by the private nonprofit organization, and all sales of  
33 tangible personal property for use in preparing meals for consumption by  
34 indigent or homeless individuals whether or not such meals are consumed  
35 at a place designated for such purpose, and all sales of food products by or  
36 on behalf of any such contractor or organization for any such purpose;

37 (w) all sales of natural gas, electricity, heat and water delivered  
38 through mains, lines or pipes: (1) To residential premises for  
39 noncommercial use by the occupant of such premises; (2) for agricultural  
40 use and also, for such use, all sales of propane gas; (3) for use in the  
41 severing of oil; and (4) to any property which is exempt from property  
42 taxation pursuant to K.S.A. 79-201b, *Second* through *Sixth*. As used in this  
43 paragraph, "severing" shall have the meaning ascribed thereto by

1 subsection (k) of K.S.A. 79-4216, and amendments thereto. For all sales of  
2 natural gas, electricity and heat delivered through mains, lines or pipes  
3 pursuant to the provisions of subsection (w)(1) and (w)(2), the provisions  
4 of this subsection shall expire on December 31, 2005;

5 (x) all sales of propane gas, LP-gas, coal, wood and other fuel sources  
6 for the production of heat or lighting for noncommercial use of an  
7 occupant of residential premises occurring prior to January 1, 2006;

8 (y) all sales of materials and services used in the repairing, servicing,  
9 altering, maintaining, manufacturing, remanufacturing, or modification of  
10 railroad rolling stock for use in interstate or foreign commerce under  
11 authority of the laws of the United States;

12 (z) all sales of tangible personal property and services purchased  
13 directly by a port authority or by a contractor therefor as provided by the  
14 provisions of K.S.A. 12-3418, and amendments thereto;

15 (aa) all sales of materials and services applied to equipment which is  
16 transported into the state from without the state for repair, service,  
17 alteration, maintenance, remanufacture or modification and which is  
18 subsequently transported outside the state for use in the transmission of  
19 liquids or natural gas by means of pipeline in interstate or foreign  
20 commerce under authority of the laws of the United States;

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

26 (cc) all sales of tangible personal property or services purchased prior  
27 to January 1, 2012, except as otherwise provided, for the purpose of and in  
28 conjunction with constructing, reconstructing, enlarging or remodeling a  
29 business or retail business which meets the requirements established in  
30 K.S.A. 74-50,115, and amendments thereto, and the sale and installation of  
31 machinery and equipment purchased for installation at any such business  
32 or retail business, and all sales of tangible personal property or services  
33 purchased on or after January 1, 2012, for the purpose of and in  
34 conjunction with constructing, reconstructing, enlarging or remodeling a  
35 business which meets the requirements established in K.S.A. 74-50,115(e),  
36 and amendments thereto, and the sale and installation of machinery and  
37 equipment purchased for installation at any such business. When a person  
38 shall contract for the construction, reconstruction, enlargement or  
39 remodeling of any such business or retail business, such person shall  
40 obtain from the state and furnish to the contractor an exemption certificate  
41 for the project involved, and the contractor may purchase materials,  
42 machinery and equipment for incorporation in such project. The contractor  
43 shall furnish the number of such certificates to all suppliers from whom

1 such purchases are made, and such suppliers shall execute invoices  
2 covering the same bearing the number of such certificate. Upon  
3 completion of the project the contractor shall furnish to the owner of the  
4 business or retail business a sworn statement, on a form to be provided by  
5 the director of taxation, that all purchases so made were entitled to  
6 exemption under this subsection. All invoices shall be held by the  
7 contractor for a period of five years and shall be subject to audit by the  
8 director of taxation. Any contractor or any agent, employee or  
9 subcontractor thereof, who shall use or otherwise dispose of any materials,  
10 machinery or equipment purchased under such a certificate for any  
11 purpose other than that for which such a certificate is issued without the  
12 payment of the sales or compensating tax otherwise imposed thereon, shall  
13 be guilty of a misdemeanor and, upon conviction therefor, shall be subject  
14 to the penalties provided for in subsection (g) of K.S.A. 79-3615, and  
15 amendments thereto. As used in this subsection, "business" and "retail  
16 business" have the meanings respectively ascribed thereto by K.S.A. 74-  
17 50,114, and amendments thereto. Project exemption certificates that have  
18 been previously issued under this subsection by the department of revenue  
19 pursuant to K.S.A. 74-50,115, and amendments thereto, but not including  
20 K.S.A. 74-50,115(e), and amendments thereto, prior to January 1, 2012,  
21 and have not expired will be effective for the term of the project or two  
22 years from the effective date of the certificate, whichever occurs earlier.  
23 Project exemption certificates that are submitted to the department of  
24 revenue prior to January 1, 2012, and are found to qualify will be issued a  
25 project exemption certificate that will be effective for a two-year period or  
26 for the term of the project, whichever occurs earlier;

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

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

31 (ff) on and after July 1, 1988, all sales of new mobile homes or  
32 manufactured homes to the extent of 40% of the gross receipts, determined  
33 without regard to any trade-in allowance, received from such sale. As used  
34 in this subsection, "mobile homes" and "manufactured homes" shall have  
35 the meanings ascribed thereto by K.S.A. 58-4202, and amendments  
36 thereto;

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

40 (hh) all sales of medical supplies and equipment, including durable  
41 medical equipment, purchased directly by a nonprofit skilled nursing home  
42 or nonprofit intermediate nursing care home, as defined by K.S.A. 39-923,  
43 and amendments thereto, for the purpose of providing medical services to



1 residents thereof. This exemption shall not apply to tangible personal  
2 property customarily used for human habitation purposes. As used in this  
3 subsection, "durable medical equipment" means equipment including  
4 repair and replacement parts for such equipment, which can withstand  
5 repeated use, is primarily and customarily used to serve a medical purpose,  
6 generally is not useful to a person in the absence of illness or injury and is  
7 not worn in or on the body, but does not include mobility enhancing  
8 equipment as defined in subsection (r), oxygen delivery equipment, kidney  
9 dialysis equipment or enteral feeding systems;

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

16 (jj) all sales of tangible personal property or services, including the  
17 renting and leasing of tangible personal property, purchased directly on  
18 behalf of a community-based facility for people with intellectual disability  
19 or mental health center organized pursuant to K.S.A. 19-4001 et seq., and  
20 amendments thereto, and licensed in accordance with the provisions of  
21 K.S.A. 75-3307b, and amendments thereto, and all sales of tangible  
22 personal property or services purchased by contractors during the time  
23 period from July, 2003, through June, 2006, for the purpose of  
24 constructing, equipping, maintaining or furnishing a new facility for a  
25 community-based facility for people with intellectual disability or mental  
26 health center located in Riverton, Cherokee County, Kansas, which would  
27 have been eligible for sales tax exemption pursuant to this subsection if  
28 purchased directly by such facility or center. This exemption shall not  
29 apply to tangible personal property customarily used for human habitation  
30 purposes;

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

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

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

38 (2) For purposes of this subsection:

39 (A) "Integrated production operation" means an integrated series of  
40 operations engaged in at a manufacturing or processing plant or facility to  
41 process, transform or convert tangible personal property by physical,  
42 chemical or other means into a different form, composition or character  
43 from that in which it originally existed. Integrated production operations

1 shall include: (i) Production line operations, including packaging  
2 operations; (ii) preproduction operations to handle, store and treat raw  
3 materials; (iii) post production handling, storage, warehousing and  
4 distribution operations; and (iv) waste, pollution and environmental  
5 control operations, if any;

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

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

20 (D) "manufacturing or processing business" means a business that  
21 utilizes an integrated production operation to manufacture, process,  
22 fabricate, finish, or assemble items for wholesale and retail distribution as  
23 part of what is commonly regarded by the general public as an industrial  
24 manufacturing or processing operation or an agricultural commodity  
25 processing operation. (i) Industrial manufacturing or processing operations  
26 include, by way of illustration but not of limitation, the fabrication of  
27 automobiles, airplanes, machinery or transportation equipment, the  
28 fabrication of metal, plastic, wood, or paper products, electricity power  
29 generation, water treatment, petroleum refining, chemical production,  
30 wholesale bottling, newspaper printing, ready mixed concrete production,  
31 and the remanufacturing of used parts for wholesale or retail sale. Such  
32 processing operations shall include operations at an oil well, gas well,  
33 mine or other excavation site where the oil, gas, minerals, coal, clay, stone,  
34 sand or gravel that has been extracted from the earth is cleaned, separated,  
35 crushed, ground, milled, screened, washed, or otherwise treated or  
36 prepared before its transmission to a refinery or before any other wholesale  
37 or retail distribution. (ii) Agricultural commodity processing operations  
38 include, by way of illustration but not of limitation, meat packing, poultry  
39 slaughtering and dressing, processing and packaging farm and dairy  
40 products in sealed containers for wholesale and retail distribution, feed  
41 grinding, grain milling, frozen food processing, and grain handling,  
42 cleaning, blending, fumigation, drying and aeration operations engaged in  
43 by grain elevators or other grain storage facilities. (iii) Manufacturing or

1 processing businesses do not include, by way of illustration but not of  
2 limitation, nonindustrial businesses whose operations are primarily retail  
3 and that produce or process tangible personal property as an incidental part  
4 of conducting the retail business, such as retailers who bake, cook or  
5 prepare food products in the regular course of their retail trade, grocery  
6 stores, meat lockers and meat markets that butcher or dress livestock or  
7 poultry in the regular course of their retail trade, contractors who alter,  
8 service, repair or improve real property, and retail businesses that clean,  
9 service or refurbish and repair tangible personal property for its owner;

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

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

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

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

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

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

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

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

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

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

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

1 transported;

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

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

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

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

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

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

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

41 (A) Machinery and equipment used for nonproduction purposes,  
42 including, but not limited to, machinery and equipment used for plant  
43 security, fire prevention, first aid, accounting, administration, record

1 keeping, advertising, marketing, sales or other related activities, plant  
2 cleaning, plant communications, and employee work scheduling;

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

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

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

14 (E) furniture and other furnishings;

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

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

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

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

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

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

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

38 (II) all sales of educational materials purchased for distribution to the  
39 public at no charge by a nonprofit corporation organized for the purpose of  
40 encouraging, fostering and conducting programs for the improvement of  
41 public health;

42 (mm) all sales of seeds and tree seedlings; fertilizers, insecticides,  
43 herbicides, germicides, pesticides and fungicides; and services, purchased

1 and used for the purpose of producing plants in order to prevent soil  
2 erosion on land devoted to agricultural use;

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

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

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

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

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

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

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

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

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

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

42 (2) the Kansas Alliance for the Mentally Ill, Inc. for the purpose of  
43 advocacy for persons with mental illness and to education, research and

1 support for their families;

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

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

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

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

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

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

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

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

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

36 (12) the CHWC, Inc., for the purpose of rebuilding urban core  
37 neighborhoods through the construction of new homes, acquiring and  
38 renovating existing homes and other related activities, and promoting  
39 economic development in such neighborhoods;

40 (13) the cross-lines cooperative council for the purpose of providing  
41 social services to low income individuals and families;

42 (14) the Dreams Work, Inc., for the purpose of providing young adult  
43 day services to individuals with developmental disabilities and assisting

1 families in avoiding institutional or nursing home care for a  
2 developmentally disabled member of their family;

3 (15) the KSDS, Inc., for the purpose of promoting the independence  
4 and inclusion of people with disabilities as fully participating and  
5 contributing members of their communities and society through the  
6 training and providing of guide and service dogs to people with  
7 disabilities, and providing disability education and awareness to the  
8 general public;

9 (16) the lyme association of greater Kansas City, Inc., for the purpose  
10 of providing support to persons with lyme disease and public education  
11 relating to the prevention, treatment and cure of lyme disease;

12 (17) the Dream Factory, Inc., for the purpose of granting the dreams  
13 of children with critical and chronic illnesses;

14 (18) the Ottawa Suzuki Strings, Inc., for the purpose of providing  
15 students and families with education and resources necessary to enable  
16 each child to develop fine character and musical ability to the fullest  
17 potential;

18 (19) the International Association of Lions Clubs for the purpose of  
19 creating and fostering a spirit of understanding among all people for  
20 humanitarian needs by providing voluntary services through community  
21 involvement and international cooperation;

22 (20) the Johnson county young matrons, inc., for the purpose of  
23 promoting a positive future for members of the community through  
24 volunteerism, financial support and education through the efforts of an all  
25 volunteer organization;

26 (21) the American Cancer Society, Inc., for the purpose of eliminating  
27 cancer as a major health problem by preventing cancer, saving lives and  
28 diminishing suffering from cancer, through research, education, advocacy  
29 and service;

30 (22) the community services of Shawnee, inc., for the purpose of  
31 providing food and clothing to those in need;

32 (23) the angel babies association, for the purpose of providing  
33 assistance, support and items of necessity to teenage mothers and their  
34 babies; and

35 (24) the Kansas fairgrounds foundation for the purpose of the  
36 preservation, renovation and beautification of the Kansas state fairgrounds;

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

40 (xx) all sales of tangible personal property and services purchased by  
41 a nonprofit zoo which is exempt from federal income taxation pursuant to  
42 section 501(c)(3) of the federal internal revenue code of 1986, or on behalf  
43 of such zoo by an entity itself exempt from federal income taxation



1 pursuant to section 501(c)(3) of the federal internal revenue code of 1986  
2 contracted with to operate such zoo and all sales of tangible personal  
3 property or services purchased by a contractor for the purpose of  
4 constructing, equipping, reconstructing, maintaining, repairing, enlarging,  
5 furnishing or remodeling facilities for any nonprofit zoo which would be  
6 exempt from taxation under the provisions of this section if purchased  
7 directly by such nonprofit zoo or the entity operating such zoo. Nothing in  
8 this subsection shall be deemed to exempt the purchase of any construction  
9 machinery, equipment or tools used in the constructing, equipping,  
10 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling  
11 facilities for any nonprofit zoo. When any nonprofit zoo shall contract for  
12 the purpose of constructing, equipping, reconstructing, maintaining,  
13 repairing, enlarging, furnishing or remodeling facilities, it shall obtain  
14 from the state and furnish to the contractor an exemption certificate for the  
15 project involved, and the contractor may purchase materials for  
16 incorporation in such project. The contractor shall furnish the number of  
17 such certificate to all suppliers from whom such purchases are made, and  
18 such suppliers shall execute invoices covering the same bearing the  
19 number of such certificate. Upon completion of the project the contractor  
20 shall furnish to the nonprofit zoo concerned a sworn statement, on a form  
21 to be provided by the director of taxation, that all purchases so made were  
22 entitled to exemption under this subsection. All invoices shall be held by  
23 the contractor for a period of five years and shall be subject to audit by the  
24 director of taxation. If any materials purchased under such a certificate are  
25 found not to have been incorporated in the building or other project or not  
26 to have been returned for credit or the sales or compensating tax otherwise  
27 imposed upon such materials which will not be so incorporated in the  
28 building or other project reported and paid by such contractor to the  
29 director of taxation not later than the 20<sup>th</sup> day of the month following the  
30 close of the month in which it shall be determined that such materials will  
31 not be used for the purpose for which such certificate was issued, the  
32 nonprofit zoo concerned shall be liable for tax on all materials purchased  
33 for the project, and upon payment thereof it may recover the same from  
34 the contractor together with reasonable attorney fees. Any contractor or  
35 any agent, employee or subcontractor thereof, who shall use or otherwise  
36 dispose of any materials purchased under such a certificate for any purpose  
37 other than that for which such a certificate is issued without the payment  
38 of the sales or compensating tax otherwise imposed upon such materials,  
39 shall be guilty of a misdemeanor and, upon conviction therefor, shall be  
40 subject to the penalties provided for in subsection (g) of K.S.A. 79-3615,  
41 and amendments thereto;

42 (yy) all sales of tangible personal property and services purchased by  
43 a parent-teacher association or organization, and all sales of tangible

1 personal property by or on behalf of such association or organization;

2 (zz) all sales of machinery and equipment purchased by over-the-air,  
3 free access radio or television station which is used directly and primarily  
4 for the purpose of producing a broadcast signal or is such that the failure  
5 of the machinery or equipment to operate would cause broadcasting to  
6 cease. For purposes of this subsection, machinery and equipment shall  
7 include, but not be limited to, that required by rules and regulations of the  
8 federal communications commission, and all sales of electricity which are  
9 essential or necessary for the purpose of producing a broadcast signal or is  
10 such that the failure of the electricity would cause broadcasting to cease;

11 (aaa) all sales of tangible personal property and services purchased by  
12 a religious organization which is exempt from federal income taxation  
13 pursuant to section 501(c)(3) of the federal internal revenue code, and used  
14 exclusively for religious purposes, and all sales of tangible personal  
15 property or services purchased by a contractor for the purpose of  
16 constructing, equipping, reconstructing, maintaining, repairing, enlarging,  
17 furnishing or remodeling facilities for any such organization which would  
18 be exempt from taxation under the provisions of this section if purchased  
19 directly by such organization. Nothing in this subsection shall be deemed  
20 to exempt the purchase of any construction machinery, equipment or tools  
21 used in the constructing, equipping, reconstructing, maintaining, repairing,  
22 enlarging, furnishing or remodeling facilities for any such organization.  
23 When any such organization shall contract for the purpose of constructing,  
24 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or  
25 remodeling facilities, it shall obtain from the state and furnish to the  
26 contractor an exemption certificate for the project involved, and the  
27 contractor may purchase materials for incorporation in such project. The  
28 contractor shall furnish the number of such certificate to all suppliers from  
29 whom such purchases are made, and such suppliers shall execute invoices  
30 covering the same bearing the number of such certificate. Upon  
31 completion of the project the contractor shall furnish to such organization  
32 concerned a sworn statement, on a form to be provided by the director of  
33 taxation, that all purchases so made were entitled to exemption under this  
34 subsection. All invoices shall be held by the contractor for a period of five  
35 years and shall be subject to audit by the director of taxation. If any  
36 materials purchased under such a certificate are found not to have been  
37 incorporated in the building or other project or not to have been returned  
38 for credit or the sales or compensating tax otherwise imposed upon such  
39 materials which will not be so incorporated in the building or other project  
40 reported and paid by such contractor to the director of taxation not later  
41 than the 20<sup>th</sup> day of the month following the close of the month in which it  
42 shall be determined that such materials will not be used for the purpose for  
43 which such certificate was issued, such organization concerned shall be

1 liable for tax on all materials purchased for the project, and upon payment  
2 thereof it may recover the same from the contractor together with  
3 reasonable attorney fees. Any contractor or any agent, employee or  
4 subcontractor thereof, who shall use or otherwise dispose of any materials  
5 purchased under such a certificate for any purpose other than that for  
6 which such a certificate is issued without the payment of the sales or  
7 compensating tax otherwise imposed upon such materials, shall be guilty  
8 of a misdemeanor and, upon conviction therefor, shall be subject to the  
9 penalties provided for in subsection (g) of K.S.A. 79-3615, and  
10 amendments thereto. Sales tax paid on and after July 1, 1998, but prior to  
11 the effective date of this act upon the gross receipts received from any sale  
12 exempted by the amendatory provisions of this subsection shall be  
13 refunded. Each claim for a sales tax refund shall be verified and submitted  
14 to the director of taxation upon forms furnished by the director and shall  
15 be accompanied by any additional documentation required by the director.  
16 The director shall review each claim and shall refund that amount of sales  
17 tax paid as determined under the provisions of this subsection. All refunds  
18 shall be paid from the sales tax refund fund upon warrants of the director  
19 of accounts and reports pursuant to vouchers approved by the director or  
20 the director's designee;

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

27 (ccc) on and after July 1, 1999, all sales of tangible personal property  
28 and services purchased by a primary care clinic or health center the  
29 primary purpose of which is to provide services to medically underserved  
30 individuals and families, and which is exempt from federal income  
31 taxation pursuant to section 501(c)(3) of the federal internal revenue code,  
32 and all sales of tangible personal property or services purchased by a  
33 contractor for the purpose of constructing, equipping, reconstructing,  
34 maintaining, repairing, enlarging, furnishing or remodeling facilities for  
35 any such clinic or center which would be exempt from taxation under the  
36 provisions of this section if purchased directly by such clinic or center.  
37 Nothing in this subsection shall be deemed to exempt the purchase of any  
38 construction machinery, equipment or tools used in the constructing,  
39 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or  
40 remodeling facilities for any such clinic or center. When any such clinic or  
41 center shall contract for the purpose of constructing, equipping,  
42 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling  
43 facilities, it shall obtain from the state and furnish to the contractor an

1 exemption certificate for the project involved, and the contractor may  
2 purchase materials for incorporation in such project. The contractor shall  
3 furnish the number of such certificate to all suppliers from whom such  
4 purchases are made, and such suppliers shall execute invoices covering the  
5 same bearing the number of such certificate. Upon completion of the  
6 project the contractor shall furnish to such clinic or center concerned a  
7 sworn statement, on a form to be provided by the director of taxation, that  
8 all purchases so made were entitled to exemption under this subsection.  
9 All invoices shall be held by the contractor for a period of five years and  
10 shall be subject to audit by the director of taxation. If any materials  
11 purchased under such a certificate are found not to have been incorporated  
12 in the building or other project or not to have been returned for credit or  
13 the sales or compensating tax otherwise imposed upon such materials  
14 which will not be so incorporated in the building or other project reported  
15 and paid by such contractor to the director of taxation not later than the  
16 20<sup>th</sup> day of the month following the close of the month in which it shall be  
17 determined that such materials will not be used for the purpose for which  
18 such certificate was issued, such clinic or center concerned shall be liable  
19 for tax on all materials purchased for the project, and upon payment  
20 thereof it may recover the same from the contractor together with  
21 reasonable attorney fees. Any contractor or any agent, employee or  
22 subcontractor thereof, who shall use or otherwise dispose of any materials  
23 purchased under such a certificate for any purpose other than that for  
24 which such a certificate is issued without the payment of the sales or  
25 compensating tax otherwise imposed upon such materials, shall be guilty  
26 of a misdemeanor and, upon conviction therefor, shall be subject to the  
27 penalties provided for in subsection (g) of K.S.A. 79-3615, and  
28 amendments thereto;

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

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

1 (fff) all sales of material handling equipment, racking systems and  
2 other related machinery and equipment that is used for the handling,  
3 movement or storage of tangible personal property in a warehouse or  
4 distribution facility in this state; all sales of installation, repair and  
5 maintenance services performed on such machinery and equipment; and  
6 all sales of repair and replacement parts for such machinery and  
7 equipment. For purposes of this subsection, a warehouse or distribution  
8 facility means a single, fixed location that consists of buildings or  
9 structures in a contiguous area where storage or distribution operations are  
10 conducted that are separate and apart from the business' retail operations,  
11 if any, and which do not otherwise qualify for exemption as occurring at a  
12 manufacturing or processing plant or facility. Material handling and  
13 storage equipment shall include aeration, dust control, cleaning, handling  
14 and other such equipment that is used in a public grain warehouse or other  
15 commercial grain storage facility, whether used for grain handling, grain  
16 storage, grain refining or processing, or other grain treatment operation;

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

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

25 (iii) all sales of personal property and services purchased by an  
26 organization which is exempt from federal income taxation pursuant to  
27 section 501(c)(3) of the federal internal revenue code of 1986, and which  
28 such personal property and services are used by any such organization in  
29 the collection, storage and distribution of food products to nonprofit  
30 organizations which distribute such food products to persons pursuant to a  
31 food distribution program on a charitable basis without fee or charge, and  
32 all sales of tangible personal property or services purchased by a  
33 contractor for the purpose of constructing, equipping, reconstructing,  
34 maintaining, repairing, enlarging, furnishing or remodeling facilities used  
35 for the collection and storage of such food products for any such  
36 organization which is exempt from federal income taxation pursuant to  
37 section 501(c)(3) of the federal internal revenue code of 1986, which  
38 would be exempt from taxation under the provisions of this section if  
39 purchased directly by such organization. Nothing in this subsection shall  
40 be deemed to exempt the purchase of any construction machinery,  
41 equipment or tools used in the constructing, equipping, reconstructing,  
42 maintaining, repairing, enlarging, furnishing or remodeling facilities for  
43 any such organization. When any such organization shall contract for the

1 purpose of constructing, equipping, reconstructing, maintaining, repairing,  
2 enlarging, furnishing or remodeling facilities, it shall obtain from the state  
3 and furnish to the contractor an exemption certificate for the project  
4 involved, and the contractor may purchase materials for incorporation in  
5 such project. The contractor shall furnish the number of such certificate to  
6 all suppliers from whom such purchases are made, and such suppliers shall  
7 execute invoices covering the same bearing the number of such certificate.  
8 Upon completion of the project the contractor shall furnish to such  
9 organization concerned a sworn statement, on a form to be provided by the  
10 director of taxation, that all purchases so made were entitled to exemption  
11 under this subsection. All invoices shall be held by the contractor for a  
12 period of five years and shall be subject to audit by the director of taxation.  
13 If any materials purchased under such a certificate are found not to have  
14 been incorporated in such facilities or not to have been returned for credit  
15 or the sales or compensating tax otherwise imposed upon such materials  
16 which will not be so incorporated in such facilities reported and paid by  
17 such contractor to the director of taxation not later than the 20<sup>th</sup> day of the  
18 month following the close of the month in which it shall be determined  
19 that such materials will not be used for the purpose for which such  
20 certificate was issued, such organization concerned shall be liable for tax  
21 on all materials purchased for the project, and upon payment thereof it  
22 may recover the same from the contractor together with reasonable  
23 attorney fees. Any contractor or any agent, employee or subcontractor  
24 thereof, who shall use or otherwise dispose of any materials purchased  
25 under such a certificate for any purpose other than that for which such a  
26 certificate is issued without the payment of the sales or compensating tax  
27 otherwise imposed upon such materials, shall be guilty of a misdemeanor  
28 and, upon conviction therefor, shall be subject to the penalties provided for  
29 in subsection (g) of K.S.A. 79-3615, and amendments thereto. Sales tax  
30 paid on and after July 1, 2005, but prior to the effective date of this act  
31 upon the gross receipts received from any sale exempted by the  
32 amendatory provisions of this subsection shall be refunded. Each claim for  
33 a sales tax refund shall be verified and submitted to the director of taxation  
34 upon forms furnished by the director and shall be accompanied by any  
35 additional documentation required by the director. The director shall  
36 review each claim and shall refund that amount of sales tax paid as  
37 determined under the provisions of this subsection. All refunds shall be  
38 paid from the sales tax refund fund upon warrants of the director of  
39 accounts and reports pursuant to vouchers approved by the director or the  
40 director's designee;

41 (jjj) all sales of dietary supplements dispensed pursuant to a  
42 prescription order by a licensed practitioner or a mid-level practitioner as  
43 defined by K.S.A. 65-1626, and amendments thereto. As used in this

1 subsection, "dietary supplement" means any product, other than tobacco,  
2 intended to supplement the diet that: (1) Contains one or more of the  
3 following dietary ingredients: A vitamin, a mineral, an herb or other  
4 botanical, an amino acid, a dietary substance for use by humans to  
5 supplement the diet by increasing the total dietary intake or a concentrate,  
6 metabolite, constituent, extract or combination of any such ingredient; (2)  
7 is intended for ingestion in tablet, capsule, powder, softgel, gelcap or  
8 liquid form, or if not intended for ingestion, in such a form, is not  
9 represented as conventional food and is not represented for use as a sole  
10 item of a meal or of the diet; and (3) is required to be labeled as a dietary  
11 supplement, identifiable by the supplemental facts box found on the label  
12 and as required pursuant to 21 C.F.R. § 101.36;

13 (lll) all sales of tangible personal property and services purchased by  
14 special olympics Kansas, inc. for the purpose of providing year-round  
15 sports training and athletic competition in a variety of olympic-type sports  
16 for individuals with intellectual disabilities by giving them continuing  
17 opportunities to develop physical fitness, demonstrate courage, experience  
18 joy and participate in a sharing of gifts, skills and friendship with their  
19 families, other special olympics athletes and the community, and activities  
20 provided or sponsored by such organization, and all sales of tangible  
21 personal property by or on behalf of any such organization;

22 (mmm) all sales of tangible personal property purchased by or on  
23 behalf of the Marillac Center, Inc., which is exempt from federal income  
24 taxation pursuant to section 501(c)(3) of the federal internal revenue code,  
25 for the purpose of providing psycho-social-biological and special  
26 education services to children, and all sales of any such property by or on  
27 behalf of such organization for such purpose;

28 (nnn) all sales of tangible personal property and services purchased  
29 by the West Sedgwick County-Sunrise Rotary Club and Sunrise Charitable  
30 Fund for the purpose of constructing a boundless playground which is an  
31 integrated, barrier free and developmentally advantageous play  
32 environment for children of all abilities and disabilities;

33 (ooo) all sales of tangible personal property by or on behalf of a  
34 public library serving the general public and supported in whole or in part  
35 with tax money or a not-for-profit organization whose purpose is to raise  
36 funds for or provide services or other benefits to any such public library;

37 (ppp) all sales of tangible personal property and services purchased  
38 by or on behalf of a homeless shelter which is exempt from federal income  
39 taxation pursuant to section 501(c)(3) of the federal income tax code of  
40 1986, and used by any such homeless shelter to provide emergency and  
41 transitional housing for individuals and families experiencing  
42 homelessness, and all sales of any such property by or on behalf of any  
43 such homeless shelter for any such purpose;

1 (qqq) all sales of tangible personal property and services purchased  
2 by TLC for children and families, inc., hereinafter referred to as TLC,  
3 which is exempt from federal income taxation pursuant to section 501(c)  
4 (3) of the federal internal revenue code of 1986, and which such property  
5 and services are used for the purpose of providing emergency shelter and  
6 treatment for abused and neglected children as well as meeting additional  
7 critical needs for children, juveniles and family, and all sales of any such  
8 property by or on behalf of TLC for any such purpose; and all sales of  
9 tangible personal property or services purchased by a contractor for the  
10 purpose of constructing, maintaining, repairing, enlarging, furnishing or  
11 remodeling facilities for the operation of services for TLC for any such  
12 purpose which would be exempt from taxation under the provisions of this  
13 section if purchased directly by TLC. Nothing in this subsection shall be  
14 deemed to exempt the purchase of any construction machinery, equipment  
15 or tools used in the constructing, maintaining, repairing, enlarging,  
16 furnishing or remodeling such facilities for TLC. When TLC contracts for  
17 the purpose of constructing, maintaining, repairing, enlarging, furnishing  
18 or remodeling such facilities, it shall obtain from the state and furnish to  
19 the contractor an exemption certificate for the project involved, and the  
20 contractor may purchase materials for incorporation in such project. The  
21 contractor shall furnish the number of such certificate to all suppliers from  
22 whom such purchases are made, and such suppliers shall execute invoices  
23 covering the same bearing the number of such certificate. Upon  
24 completion of the project the contractor shall furnish to TLC a sworn  
25 statement, on a form to be provided by the director of taxation, that all  
26 purchases so made were entitled to exemption under this subsection. All  
27 invoices shall be held by the contractor for a period of five years and shall  
28 be subject to audit by the director of taxation. If any materials purchased  
29 under such a certificate are found not to have been incorporated in the  
30 building or other project or not to have been returned for credit or the sales  
31 or compensating tax otherwise imposed upon such materials which will  
32 not be so incorporated in the building or other project reported and paid by  
33 such contractor to the director of taxation not later than the 20<sup>th</sup> day of  
34 the month following the close of the month in which it shall be determined  
35 that such materials will not be used for the purpose for which such  
36 certificate was issued, TLC shall be liable for tax on all materials  
37 purchased for the project, and upon payment thereof it may recover the  
38 same from the contractor together with reasonable attorney fees. Any  
39 contractor or any agent, employee or subcontractor thereof, who shall use  
40 or otherwise dispose of any materials purchased under such a certificate  
41 for any purpose other than that for which such a certificate is issued  
42 without the payment of the sales or compensating tax otherwise imposed  
43 upon such materials, shall be guilty of a misdemeanor and, upon



1 conviction therefor, shall be subject to the penalties provided for in  
2 subsection (g) of K.S.A. 79-3615, and amendments thereto;

3 (rrr) all sales of tangible personal property and services purchased by  
4 any county law library maintained pursuant to law and sales of tangible  
5 personal property and services purchased by an organization which would  
6 have been exempt from taxation under the provisions of this subsection if  
7 purchased directly by the county law library for the purpose of providing  
8 legal resources to attorneys, judges, students and the general public, and  
9 all sales of any such property by or on behalf of any such county law  
10 library;

11 (sss) all sales of tangible personal property and services purchased by  
12 catholic charities or youthville, hereinafter referred to as charitable family  
13 providers, which is exempt from federal income taxation pursuant to  
14 section 501(c)(3) of the federal internal revenue code of 1986, and which  
15 such property and services are used for the purpose of providing  
16 emergency shelter and treatment for abused and neglected children as well  
17 as meeting additional critical needs for children, juveniles and family, and  
18 all sales of any such property by or on behalf of charitable family  
19 providers for any such purpose; and all sales of tangible personal property  
20 or services purchased by a contractor for the purpose of constructing,  
21 maintaining, repairing, enlarging, furnishing or remodeling facilities for  
22 the operation of services for charitable family providers for any such  
23 purpose which would be exempt from taxation under the provisions of this  
24 section if purchased directly by charitable family providers. Nothing in  
25 this subsection shall be deemed to exempt the purchase of any construction  
26 machinery, equipment or tools used in the constructing, maintaining,  
27 repairing, enlarging, furnishing or remodeling such facilities for charitable  
28 family providers. When charitable family providers contracts for the  
29 purpose of constructing, maintaining, repairing, enlarging, furnishing or  
30 remodeling such facilities, it shall obtain from the state and furnish to the  
31 contractor an exemption certificate for the project involved, and the  
32 contractor may purchase materials for incorporation in such project. The  
33 contractor shall furnish the number of such certificate to all suppliers from  
34 whom such purchases are made, and such suppliers shall execute invoices  
35 covering the same bearing the number of such certificate. Upon  
36 completion of the project the contractor shall furnish to charitable family  
37 providers a sworn statement, on a form to be provided by the director of  
38 taxation, that all purchases so made were entitled to exemption under this  
39 subsection. All invoices shall be held by the contractor for a period of five  
40 years and shall be subject to audit by the director of taxation. If any  
41 materials purchased under such a certificate are found not to have been  
42 incorporated in the building or other project or not to have been returned  
43 for credit or the sales or compensating tax otherwise imposed upon such

1 materials which will not be so incorporated in the building or other project  
2 reported and paid by such contractor to the director of taxation not later  
3 than the 20<sup>th</sup> day of the month following the close of the month in which it  
4 shall be determined that such materials will not be used for the purpose for  
5 which such certificate was issued, charitable family providers shall be  
6 liable for tax on all materials purchased for the project, and upon payment  
7 thereof it may recover the same from the contractor together with  
8 reasonable attorney fees. Any contractor or any agent, employee or  
9 subcontractor thereof, who shall use or otherwise dispose of any materials  
10 purchased under such a certificate for any purpose other than that for  
11 which such a certificate is issued without the payment of the sales or  
12 compensating tax otherwise imposed upon such materials, shall be guilty  
13 of a misdemeanor and, upon conviction therefor, shall be subject to the  
14 penalties provided for in subsection (g) of K.S.A. 79-3615, and  
15 amendments thereto;

16 (ttt) all sales of tangible personal property or services purchased by a  
17 contractor for a project for the purpose of restoring, constructing,  
18 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or  
19 remodeling a home or facility owned by a nonprofit museum which has  
20 been granted an exemption pursuant to subsection (qq), which such home or  
21 facility is located in a city which has been designated as a qualified  
22 hometown pursuant to the provisions of K.S.A. 75-5071 et seq., and  
23 amendments thereto, and which such project is related to the purposes of  
24 K.S.A. 75-5071 et seq., and amendments thereto, and which would be  
25 exempt from taxation under the provisions of this section if purchased  
26 directly by such nonprofit museum. Nothing in this subsection shall be  
27 deemed to exempt the purchase of any construction machinery, equipment  
28 or tools used in the restoring, constructing, equipping, reconstructing,  
29 maintaining, repairing, enlarging, furnishing or remodeling a home or  
30 facility for any such nonprofit museum. When any such nonprofit museum  
31 shall contract for the purpose of restoring, constructing, equipping,  
32 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling  
33 a home or facility, it shall obtain from the state and furnish to the  
34 contractor an exemption certificate for the project involved, and the  
35 contractor may purchase materials for incorporation in such project. The  
36 contractor shall furnish the number of such certificates to all suppliers  
37 from whom such purchases are made, and such suppliers shall execute  
38 invoices covering the same bearing the number of such certificate. Upon  
39 completion of the project, the contractor shall furnish to such nonprofit  
40 museum a sworn statement on a form to be provided by the director of  
41 taxation that all purchases so made were entitled to exemption under this  
42 subsection. All invoices shall be held by the contractor for a period of five  
43 years and shall be subject to audit by the director of taxation. If any

1 materials purchased under such a certificate are found not to have been  
2 incorporated in the building or other project or not to have been returned  
3 for credit or the sales or compensating tax otherwise imposed upon such  
4 materials which will not be so incorporated in a home or facility or other  
5 project reported and paid by such contractor to the director of taxation not  
6 later than the 20<sup>th</sup> day of the month following the close of the month in  
7 which it shall be determined that such materials will not be used for the  
8 purpose for which such certificate was issued, such nonprofit museum  
9 shall be liable for tax on all materials purchased for the project, and upon  
10 payment thereof it may recover the same from the contractor together with  
11 reasonable attorney fees. Any contractor or any agent, employee or  
12 subcontractor thereof, who shall use or otherwise dispose of any materials  
13 purchased under such a certificate for any purpose other than that for  
14 which such a certificate is issued without the payment of the sales or  
15 compensating tax otherwise imposed upon such materials, shall be guilty  
16 of a misdemeanor and, upon conviction therefor, shall be subject to the  
17 penalties provided for in subsection (g) of K.S.A. 79-3615, and  
18 amendments thereto;

19 (uuu) all sales of tangible personal property and services purchased  
20 by Kansas children's service league, hereinafter referred to as KCSL,  
21 which is exempt from federal income taxation pursuant to section 501(c)  
22 (3) of the federal internal revenue code of 1986, and which such property  
23 and services are used for the purpose of providing for the prevention and  
24 treatment of child abuse and maltreatment as well as meeting additional  
25 critical needs for children, juveniles and family, and all sales of any such  
26 property by or on behalf of KCSL for any such purpose; and all sales of  
27 tangible personal property or services purchased by a contractor for the  
28 purpose of constructing, maintaining, repairing, enlarging, furnishing or  
29 remodeling facilities for the operation of services for KCSL for any such  
30 purpose which would be exempt from taxation under the provisions of this  
31 section if purchased directly by KCSL. Nothing in this subsection shall be  
32 deemed to exempt the purchase of any construction machinery, equipment  
33 or tools used in the constructing, maintaining, repairing, enlarging,  
34 furnishing or remodeling such facilities for KCSL. When KCSL contracts  
35 for the purpose of constructing, maintaining, repairing, enlarging,  
36 furnishing or remodeling such facilities, it shall obtain from the state and  
37 furnish to the contractor an exemption certificate for the project involved,  
38 and the contractor may purchase materials for incorporation in such  
39 project. The contractor shall furnish the number of such certificate to all  
40 suppliers from whom such purchases are made, and such suppliers shall  
41 execute invoices covering the same bearing the number of such certificate.  
42 Upon completion of the project the contractor shall furnish to KCSL a  
43 sworn statement, on a form to be provided by the director of taxation, that

1 all purchases so made were entitled to exemption under this subsection.  
2 All invoices shall be held by the contractor for a period of five years and  
3 shall be subject to audit by the director of taxation. If any materials  
4 purchased under such a certificate are found not to have been incorporated  
5 in the building or other project or not to have been returned for credit or  
6 the sales or compensating tax otherwise imposed upon such materials  
7 which will not be so incorporated in the building or other project reported  
8 and paid by such contractor to the director of taxation not later than the  
9 20<sup>th</sup> day of the month following the close of the month in which it shall be  
10 determined that such materials will not be used for the purpose for which  
11 such certificate was issued, KCSL shall be liable for tax on all materials  
12 purchased for the project, and upon payment thereof it may recover the  
13 same from the contractor together with reasonable attorney fees. Any  
14 contractor or any agent, employee or subcontractor thereof, who shall use  
15 or otherwise dispose of any materials purchased under such a certificate  
16 for any purpose other than that for which such a certificate is issued  
17 without the payment of the sales or compensating tax otherwise imposed  
18 upon such materials, shall be guilty of a misdemeanor and, upon  
19 conviction therefor, shall be subject to the penalties provided for in  
20 subsection (g) of K.S.A. 79-3615, and amendments thereto;

21 (vvv) all sales of tangible personal property or services, including the  
22 renting and leasing of tangible personal property or services, purchased by  
23 Jazz in the Woods, Inc., a Kansas corporation which is exempt from  
24 federal income taxation pursuant to section 501(c)(3) of the federal  
25 internal revenue code, for the purpose of providing Jazz in the Woods, an  
26 event benefiting children-in-need and other nonprofit charities assisting  
27 such children, and all sales of any such property by or on behalf of such  
28 organization for such purpose;

29 (www) all sales of tangible personal property purchased by or on  
30 behalf of the Frontenac Education Foundation, which is exempt from  
31 federal income taxation pursuant to section 501(c)(3) of the federal  
32 internal revenue code, for the purpose of providing education support for  
33 students, and all sales of any such property by or on behalf of such  
34 organization for such purpose;

35 (xxx) all sales of personal property and services purchased by the  
36 booth theatre foundation, inc., an organization which is exempt from  
37 federal income taxation pursuant to section 501(c)(3) of the federal  
38 internal revenue code of 1986, and which such personal property and  
39 services are used by any such organization in the constructing, equipping,  
40 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling  
41 of the booth theatre, and all sales of tangible personal property or services  
42 purchased by a contractor for the purpose of constructing, equipping,  
43 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling

1 the booth theatre for such organization, which would be exempt from  
2 taxation under the provisions of this section if purchased directly by such  
3 organization. Nothing in this subsection shall be deemed to exempt the  
4 purchase of any construction machinery, equipment or tools used in the  
5 constructing, equipping, reconstructing, maintaining, repairing, enlarging,  
6 furnishing or remodeling facilities for any such organization. When any  
7 such organization shall contract for the purpose of constructing, equipping,  
8 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling  
9 facilities, it shall obtain from the state and furnish to the contractor an  
10 exemption certificate for the project involved, and the contractor may  
11 purchase materials for incorporation in such project. The contractor shall  
12 furnish the number of such certificate to all suppliers from whom such  
13 purchases are made, and such suppliers shall execute invoices covering the  
14 same bearing the number of such certificate. Upon completion of the  
15 project the contractor shall furnish to such organization concerned a sworn  
16 statement, on a form to be provided by the director of taxation, that all  
17 purchases so made were entitled to exemption under this subsection. All  
18 invoices shall be held by the contractor for a period of five years and shall  
19 be subject to audit by the director of taxation. If any materials purchased  
20 under such a certificate are found not to have been incorporated in such  
21 facilities or not to have been returned for credit or the sales or  
22 compensating tax otherwise imposed upon such materials which will not  
23 be so incorporated in such facilities reported and paid by such contractor  
24 to the director of taxation not later than the 20<sup>th</sup> day of the month following  
25 the close of the month in which it shall be determined that such materials  
26 will not be used for the purpose for which such certificate was issued, such  
27 organization concerned shall be liable for tax on all materials purchased  
28 for the project, and upon payment thereof it may recover the same from  
29 the contractor together with reasonable attorney fees. Any contractor or  
30 any agent, employee or subcontractor thereof, who shall use or otherwise  
31 dispose of any materials purchased under such a certificate for any purpose  
32 other than that for which such a certificate is issued without the payment  
33 of the sales or compensating tax otherwise imposed upon such materials,  
34 shall be guilty of a misdemeanor and, upon conviction therefor, shall be  
35 subject to the penalties provided for in subsection (g) of K.S.A. 79-3615,  
36 and amendments thereto. Sales tax paid on and after January 1, 2007, but  
37 prior to the effective date of this act upon the gross receipts received from  
38 any sale which would have been exempted by the provisions of this  
39 subsection had such sale occurred after the effective date of this act shall  
40 be refunded. Each claim for a sales tax refund shall be verified and  
41 submitted to the director of taxation upon forms furnished by the director  
42 and shall be accompanied by any additional documentation required by the  
43 director. The director shall review each claim and shall refund that amount

1 of sales tax paid as determined under the provisions of this subsection. All  
2 refunds shall be paid from the sales tax refund fund upon warrants of the  
3 director of accounts and reports pursuant to vouchers approved by the  
4 director or the director's designee;

5 (yyy) all sales of tangible personal property and services purchased  
6 by TLC charities foundation, inc., hereinafter referred to as TLC charities,  
7 which is exempt from federal income taxation pursuant to section 501(c)  
8 (3) of the federal internal revenue code of 1986, and which such property  
9 and services are used for the purpose of encouraging private philanthropy  
10 to further the vision, values, and goals of TLC for children and families,  
11 inc.; and all sales of such property and services by or on behalf of TLC  
12 charities for any such purpose and all sales of tangible personal property or  
13 services purchased by a contractor for the purpose of constructing,  
14 maintaining, repairing, enlarging, furnishing or remodeling facilities for  
15 the operation of services for TLC charities for any such purpose which  
16 would be exempt from taxation under the provisions of this section if  
17 purchased directly by TLC charities. Nothing in this subsection shall be  
18 deemed to exempt the purchase of any construction machinery, equipment  
19 or tools used in the constructing, maintaining, repairing, enlarging,  
20 furnishing or remodeling such facilities for TLC charities. When TLC  
21 charities contracts for the purpose of constructing, maintaining, repairing,  
22 enlarging, furnishing or remodeling such facilities, it shall obtain from  
23 the state and furnish to the contractor an exemption certificate for the project  
24 involved, and the contractor may purchase materials for incorporation in  
25 such project. The contractor shall furnish the number of such certificate to  
26 all suppliers from whom such purchases are made, and such suppliers shall  
27 execute invoices covering the same bearing the number of such certificate.  
28 Upon completion of the project the contractor shall furnish to TLC  
29 charities a sworn statement, on a form to be provided by the director of  
30 taxation, that all purchases so made were entitled to exemption under this  
31 subsection. All invoices shall be held by the contractor for a period of five  
32 years and shall be subject to audit by the director of taxation. If any  
33 materials purchased under such a certificate are found not to have been  
34 incorporated in the building or other project or not to have been returned  
35 for credit or the sales or compensating tax otherwise imposed upon such  
36 materials which will not be incorporated into the building or other project  
37 reported and paid by such contractor to the director of taxation not later  
38 than the 20<sup>th</sup> day of the month following the close of the month in which it  
39 shall be determined that such materials will not be used for the purpose for  
40 which such certificate was issued, TLC charities shall be liable for tax on  
41 all materials purchased for the project, and upon payment thereof it may  
42 recover the same from the contractor together with reasonable attorney  
43 fees. Any contractor or any agent, employee or subcontractor thereof, who

1 shall use or otherwise dispose of any materials purchased under such a  
2 certificate for any purpose other than that for which such a certificate is  
3 issued without the payment of the sales or compensating tax otherwise  
4 imposed upon such materials, shall be guilty of a misdemeanor and, upon  
5 conviction therefor, shall be subject to the penalties provided for in  
6 subsection (g) of K.S.A. 79-3615, and amendments thereto;

7 (zzz) all sales of tangible personal property purchased by the rotary  
8 club of shawnee foundation which is exempt from federal income taxation  
9 pursuant to section 501(c)(3) of the federal internal revenue code of 1986,  
10 as amended, used for the purpose of providing contributions to community  
11 service organizations and scholarships;

12 (aaaa) all sales of personal property and services purchased by or on  
13 behalf of victory in the valley, inc., which is exempt from federal income  
14 taxation pursuant to section 501(c)(3) of the federal internal revenue code,  
15 for the purpose of providing a cancer support group and services for  
16 persons with cancer, and all sales of any such property by or on behalf of  
17 any such organization for any such purpose;

18 (bbbb) all sales of entry or participation fees, charges or tickets by  
19 Guadalupe health foundation, which is exempt from federal income  
20 taxation pursuant to section 501(c)(3) of the federal internal revenue code,  
21 for such organization's annual fundraising event which purpose is to  
22 provide health care services for uninsured workers;

23 (cccc) all sales of tangible personal property or services purchased by  
24 or on behalf of wayside waifs, inc., which is exempt from federal income  
25 taxation pursuant to section 501(c)(3) of the federal internal revenue code,  
26 for the purpose of providing such organization's annual fundraiser, an  
27 event whose purpose is to support the care of homeless and abandoned  
28 animals, animal adoption efforts, education programs for children and  
29 efforts to reduce animal over-population and animal welfare services, and  
30 all sales of any such property, including entry or participation fees or  
31 charges, by or on behalf of such organization for such purpose;

32 (dddd) all sales of tangible personal property or services purchased  
33 by or on behalf of Goodwill Industries or Easter Seals of Kansas, Inc.,  
34 both of which are exempt from federal income taxation pursuant to section  
35 501(c)(3) of the federal internal revenue code, for the purpose of providing  
36 education, training and employment opportunities for people with  
37 disabilities and other barriers to employment;

38 (eeee) all sales of tangible personal property or services purchased by  
39 or on behalf of All American Beef Battalion, Inc., which is exempt from  
40 federal income taxation pursuant to section 501(c)(3) of the federal  
41 internal revenue code, for the purpose of educating, promoting and  
42 participating as a contact group through the beef cattle industry in order to  
43 carry out such projects that provide support and morale to members of the

1 United States armed forces and military services;  
2 (ffff) all sales of tangible personal property and services purchased by  
3 sheltered living, inc., which is exempt from federal income taxation  
4 pursuant to section 501(c)(3) of the federal internal revenue code of 1986,  
5 and which such property and services are used for the purpose of  
6 providing residential and day services for people with developmental  
7 disabilities or intellectual disability, or both, and all sales of any such  
8 property by or on behalf of sheltered living, inc., for any such purpose; and  
9 all sales of tangible personal property or services purchased by a  
10 contractor for the purpose of rehabilitating, constructing, maintaining,  
11 repairing, enlarging, furnishing or remodeling homes and facilities for  
12 sheltered living, inc., for any such purpose which would be exempt from  
13 taxation under the provisions of this section if purchased directly by  
14 sheltered living, inc. Nothing in this subsection shall be deemed to exempt  
15 the purchase of any construction machinery, equipment or tools used in the  
16 constructing, maintaining, repairing, enlarging, furnishing or remodeling  
17 such homes and facilities for sheltered living, inc. When sheltered living,  
18 inc., contracts for the purpose of rehabilitating, constructing, maintaining,  
19 repairing, enlarging, furnishing or remodeling such homes and facilities, it  
20 shall obtain from the state and furnish to the contractor an exemption  
21 certificate for the project involved, and the contractor may purchase  
22 materials for incorporation in such project. The contractor shall furnish the  
23 number of such certificate to all suppliers from whom such purchases are  
24 made, and such suppliers shall execute invoices covering the same bearing  
25 the number of such certificate. Upon completion of the project the  
26 contractor shall furnish to sheltered living, inc., a sworn statement, on a  
27 form to be provided by the director of taxation, that all purchases so made  
28 were entitled to exemption under this subsection. All invoices shall be held  
29 by the contractor for a period of five years and shall be subject to audit by  
30 the director of taxation. If any materials purchased under such a certificate  
31 are found not to have been incorporated in the building or other project or  
32 not to have been returned for credit or the sales or compensating tax  
33 otherwise imposed upon such materials which will not be so incorporated  
34 in the building or other project reported and paid by such contractor to the  
35 director of taxation not later than the 20<sup>th</sup> day of the month following the  
36 close of the month in which it shall be determined that such materials will  
37 not be used for the purpose for which such certificate was issued, sheltered  
38 living, inc., shall be liable for tax on all materials purchased for the  
39 project, and upon payment thereof it may recover the same from the  
40 contractor together with reasonable attorney fees. Any contractor or any  
41 agent, employee or subcontractor thereof, who shall use or otherwise  
42 dispose of any materials purchased under such a certificate for any purpose  
43 other than that for which such a certificate is issued without the payment



1 of the sales or compensating tax otherwise imposed upon such materials,  
2 shall be guilty of a misdemeanor and, upon conviction therefor, shall be  
3 subject to the penalties provided for in subsection (g) of K.S.A. 79-3615,  
4 and amendments thereto; ~~and~~

5 (gggg) all sales of game birds for which the primary purpose is use in  
6 hunting; *and*

7 (*hhhh*) *all sales of gold and silver bullion coins issued by the federal*  
8 *government.*

9 Sec. 4. K.S.A. 2012 Supp. 79-32,117 and 79-3606 are hereby  
10 repealed.

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