

**SENATE BILL No. 494**

By Committee on Assessment and Taxation

3-10

1 AN ACT concerning crimes, punishment and criminal procedure; relating  
2 to conducting a pyramid promotional scheme; exemptions; amending  
3 K.S.A. 2019 Supp. 21-5838 and repealing the existing section.  
4

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

6 Section 1. K.S.A. 2019 Supp. 21-5838 is hereby amended to read as  
7 follows: 21-5838. (a) Conducting a pyramid promotional scheme is  
8 knowingly establishing, operating, advertising or promoting any pyramid  
9 promotional scheme.

10 (b) Conducting a pyramid promotional scheme is a severity level 9,  
11 nonperson felony.

12 (c) A limitation as to the number of persons who may participate or  
13 the presence of additional conditions affecting eligibility for the  
14 opportunity to receive compensation under the plan or operation does not  
15 change the identity of the scheme as a pyramid promotional scheme.

16 (d) It is not a defense under this section that a participant, on giving  
17 consideration, obtains any goods, services or intangible property in  
18 addition to the right to receive compensation.

19 (e) *The provisions of this section shall not be construed to prohibit a*  
20 *plan or operation, or to define a plan or operation as a pyramid*  
21 *promotional scheme, if the participants in the plan or operation give*  
22 *consideration in return for the right to receive compensation based upon*  
23 *purchases of goods, services or intangible property for personal use,*  
24 *consumption or resale if the plan or operation does not cause inventory*  
25 *loading.*

26 (f) The attorney general, or county attorney or district attorney, or  
27 both, may institute criminal action to prosecute this offense.

28 ~~(f)~~(g) As used in this section;:

29 (1) "Pyramid promotional scheme" means a plan or operation by  
30 which a ~~participant~~ *person* gives consideration for the opportunity to  
31 receive compensation ~~which~~ *that* is derived primarily from ~~any person's~~  
32 *the* introduction of other persons into ~~participation in~~ the plan or operation  
33 rather than from the sale *and consumption* of goods, services or intangible  
34 property by ~~the~~ a participant or other persons introduced into the plan or  
35 operation;

36 (2) *"compensation" means a payment of money, a thing of value or a*

1 *financial benefit conferred in return for inducing another person to*  
2 *participate in a pyramid promotional scheme;*

3 (3) *"consideration" means a payment of money or the purchase of*  
4 *goods, services or intangible property. "Consideration" does not include:*

5 *(A) The purchase of goods or services furnished at cost for use in making*  
6 *sales and not for resale; (B) time and effort spent in pursuit of sales or*  
7 *recruiting activities; or (C) payment for sales demonstration, equipment*  
8 *and materials furnished at cost for use in making sales and not for resale;*

9 (4) *"inventory" means goods and services, including, but not limited*  
10 *to, company-produced promotional materials, sales aids and sales kits*  
11 *that an entity requires an independent salesperson to purchase;*

12 (5) *"inventory loading" means the requirement or encouragement by*  
13 *a plan or operation to have an independent salesperson of the plan or*  
14 *operation purchase inventory in an amount that exceeds the amount that*  
15 *the salesperson can expect to resell for ultimate consumption or to use or*  
16 *consume in a reasonable time period, or both;*

17 (6) *"person" means an individual, corporation, business trust, estate,*  
18 *trust, partnership, association or any other legal entity; and*

19 (7) *"promote" means to contrive, prepare, establish, plan, operate,*  
20 *advertise or otherwise induce another person to participate in a pyramid*  
21 *promotional scheme.*

22 Sec. 2. K.S.A. 2019 Supp. 21-5838 is hereby repealed.

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