

HOUSE BILL No. 2749

By Committee on Taxation

4-28

1 AN ACT concerning economic development; relating to an income tax
2 credit and sales tax exemption program to be administered by the
3 secretary of commerce for the purpose of developing film, video or
4 digital production in Kansas; enacting the Kansas film production
5 industry development act; amending K.S.A. 2021 Supp. 79-3606, as
6 amended by section 16 of 2022 Senate Bill No. 347, and repealing the
7 existing section.

8
9 *Be it enacted by the Legislature of the State of Kansas:*

10 New Section 1. Sections 1 through 6, and amendments thereto, shall
11 be known and may be cited as the Kansas film production industry
12 development act. The purpose of the Kansas film production industry
13 development act is to incentivize film, video or digital media productions
14 in Kansas and facilitate the development and growth of a film, video or
15 digital media production industry and associated businesses supporting the
16 industry in this state.

17 New Sec. 2. For purposes of the Kansas film production industry
18 development act, sections 1 through 6, and amendments thereto:

19 (a) "Above-the-line personnel" means any individual hired or credited
20 on screen for an eligible production for work on the production or
21 postproduction of film as a:

22 (1) Principal cast member compensated for the eligible production
23 project at a screen actors guild schedule f and above payment rate; or

24 (2) producer, screenwriter or director.

25 (b) "Act" means the Kansas film production industry development
26 act.

27 (c) "Affiliates" means those entities that are included in the
28 production company's affiliated group as defined in section 1504(a) of the
29 internal revenue code, 26 U.S.C. § 1504 (a), and all other entities that are
30 50% or more owned, directly or indirectly, by members of the affiliated
31 group.

32 (d) "Based in Kansas" or "Kansas-based" means, in reference to an
33 individual or company, that the individual or company is subject to income
34 tax liability under the Kansas income tax act.

35 (e) "Certified production" or "certified project" means an eligible
36 production that has agreed to one or more qualified Kansas promotions

1 and that has been approved by the secretary of commerce as eligible for
2 tax incentives pursuant to the provisions of section 3, and amendments
3 thereto.

4 (f) "Crew" means any individual who works on production or
5 postproduction for an eligible production. "Crew" does not include above-
6 the-line personnel.

7 (g) (1) "Eligible production" or "eligible project" means a production:

8 (A) (i) Of a new film, video or digital project, or a portion or portions
9 of such project, produced in this state, including a feature film,
10 documentary, series, pilot, movie for television, televised commercial
11 advertisement, music video, video game, content-based mobile application
12 or a virtual reality, augmented reality, multi-media or new media project;

13 (ii) produced in whole or in part, in short or in long form, and may
14 include animation and music and green screen, motion capture and similar
15 production techniques;

16 (iii) fixed on a delivery system that includes, but is not limited to,
17 film, videotape, computer disc, laser disc or any element of the digital
18 domain, from which the program or completed project is viewed or
19 reproduced; and

20 (iv) intended for multimarket commercial distribution via theaters,
21 video on demand, direct to DVD, streaming, digital platforms or electronic
22 delivery systems designed for the distribution or playing of interactive
23 games, licensing for exhibition by individual television stations, groups of
24 stations, networks, advertiser-supported sites, cable television stations,
25 streaming companies or public broadcasting stations; and

26 (B) that incurs or is reasonably anticipated to incur qualified eligible
27 production or postproduction expenses of at least \$50,000, as determined
28 by the secretary.

29 (2) "Eligible production" or "eligible project" does not include the
30 coverage of news or athletic events, local advertising, local interest
31 programming, instructional videos, corporate videos, any project that is
32 not intended for multimarket commercial distribution or any portion of a
33 project not shot, recorded or created in Kansas. "Eligible production" or
34 "eligible project" shall not include any production that includes child
35 pornography as defined in K.S.A. 75-2589, and amendments thereto, or
36 obscene material as defined in K.S.A. 2021 Supp. 21-6401, and
37 amendments thereto.

38 (3) For purposes of the income tax credit as allowed under section
39 4(f), and amendments thereto, "eligible production" or "eligible project"
40 means the same as defined in paragraphs (1) and (2), except that a
41 production not intended for multimarket commercial distribution may be
42 included and the amount of eligible expenses required shall be at least
43 \$25,000.

1 (h) "Eligible television series" means a series television production
2 project intended for multimarket commercial distribution, with an order
3 for multiple episodes in a single season, not less than 25% of the series
4 season is filmed within Kansas and the production incurs qualifying
5 eligible expenses of more than \$50,000.

6 (i) "Eligible wages and salaries" means:

7 (1) (A) Wages or salaries paid by the production company to crew for
8 work in Kansas designated as for production or for postproduction of an
9 eligible production;

10 (B) for which the production company is required to remit
11 withholding payments to the department of revenue under the Kansas
12 withholding and declaration of estimated tax act; and

13 (C) at least 10% of the total wage or salary expenditure for crew is
14 paid to crew who are residents of this state. The secretary and the Kansas
15 arts industry director may agree upon a higher percentage requirement;
16 and

17 (2) the amounts of wages, salaries or payments paid to above-the-line
18 personnel, except that the eligible amount of such wages, salaries or
19 payments shall not comprise more than 25% of qualified production
20 expenditures as defined in subsection (s).

21 (j) "Film" means a professional single media, multimedia, video or
22 audiovisual program or feature, that may be digital, that is not child
23 pornography as defined in K.S.A. 75-2589, and amendments thereto, or
24 obscene material as defined in K.S.A. 2021 Supp. 21-6401, and
25 amendments thereto. "Film" includes, but is not limited to, film produced
26 for an interactive game or a documentary, special, music video, television
27 commercial or television program, or a portion thereof, that is filmed or
28 taped for cable, television, streaming network, national or regional
29 syndication or for a feature-length motion picture intended for theatrical
30 release or for network, streaming, national or regional syndication or
31 broadcast.

32 (k) "High impact production" means a production for which
33 production or postproduction expenditures are at least \$50,000,000, and at
34 least $\frac{1}{3}$ of such total expenditures constitute qualified expenditures
35 approved by the secretary of commerce.

36 (l) "Kansas film media industry development expenditure" means
37 documented financial, promotional or in-kind contributions or educational
38 or workforce development efforts, at standard rates set by the secretary of
39 commerce in consultation with the Kansas creative arts industries
40 commission, in partnership with related Kansas industry labor
41 organizations or educational institutions, toward the furtherance of the
42 Kansas film or digital media industry. Promotional efforts include, but are
43 not limited to, the promotion of the Kansas industry by directors, actors or

1 producers affiliated with the production company's project through social
2 media that is managed by the state, radio or television interviews
3 facilitated by the department of commerce, enhanced screen credit
4 acknowledgments or related events that are facilitated, conducted or
5 sponsored by the secretary of commerce or the Kansas creative arts
6 industries commission.

7 (m) "Multi-film deal" means a project in which a production
8 company films at least 75% of main crew principal photography for three
9 or more films in this state within three years or starts main crew principal
10 photography on the third film within a five-year period.

11 (n) "Nonresident crew member" means an individual who is not a
12 Kansas resident, hired for work on a qualifying production project within
13 this state.

14 (o) "Production company" means a person, producer or company that
15 produces film for, including, but not limited to, exhibition in theaters,
16 television, interactive games, cable, syndication or streaming networks.
17 "Production company" includes affiliates of a production company when
18 approved by the secretary and identified in the agreement executed
19 pursuant to section 3, and amendments thereto.

20 (p) (1) "Postproduction expenditures" means expenditures made in
21 Kansas directly for postproduction activities in Kansas for an eligible
22 production by a production company and includes, but are not limited to,
23 the following categories:

24 (A) Eligible wages or salaries of above-the-line personnel or crew
25 designated as postproduction;

26 (B) sound synchronization, recording or mixing;

27 (C) color grading;

28 (D) editing and related services;

29 (E) visual effects or special effects;

30 (F) computer graphics, special effects or animation services;

31 (G) film processing or format transfers;

32 (H) music production, recording, mixing or composition;

33 (I) licensing of music produced in this state or created by a Kansas
34 resident;

35 (J) rental of facilities or equipment;

36 (K) leasing of vehicles, including leasing of airplanes, for
37 postproduction-related transportation and costs of food and lodging; and

38 (L) other direct postproduction costs of an eligible production in
39 accordance with generally accepted entertainment industry practices.

40 (2) "Postproduction expenditures" does not include goods, equipment
41 or vehicles not purchased, rented or leased in Kansas from a Kansas-based
42 vendor and when not used in Kansas. "Postproduction expenditures" does
43 not include any expenditures for activities, work or services not conducted

1 in Kansas and not performed by a Kansas-based vendor. A vendor that acts
2 as a conduit to enable purchases, rentals or leases to qualify as "production
3 expenditures" that would not otherwise qualify shall not be considered a
4 Kansas-based vendor with respect to such purchases, rentals or leases.
5 "Postproduction expenditures" does not include costs for footage shot
6 outside this state, marketing, story rights or distribution.

7 (q) (1) "Production expenditures" means expenditures made in
8 Kansas directly related to or used for production activities in this state for
9 an eligible production by a production company, including, but not limited to,
10 the following categories:

11 (A) Eligible wages or salaries of above-the-line personnel or crew
12 designated as production;

13 (B) set construction, maintenance, repair or modification, set
14 furnishings and operations, wardrobe, make-up, materials used to construct
15 costumes, props or scenery, accessories and related services;

16 (C) scripts, musical scores or storyboards and drafting and design
17 supplies;

18 (D) photography, sound synchronization, lighting and related
19 services;

20 (E) editing and related services;

21 (F) rental of buildings, facilities or equipment and leasing of vehicles,
22 including, but not limited to, leasing of airplanes;

23 (G) transportation costs, including, but not limited to, leasing of
24 vehicles or airplanes, directly related to production activities in Kansas;

25 (H) food and lodging;

26 (I) sound recording or mixing services;

27 (J) computer graphics, special effects and animation services;

28 (K) film processing or format transfers;

29 (L) airfare if purchased through a Kansas travel agency;

30 (M) insurance costs and bonding if purchased through a Kansas
31 insurance agency; and

32 (N) other direct costs of producing film in accordance with generally
33 accepted entertainment industry practices.

34 (2) "Production expenditures" does not include goods, equipment or
35 vehicles not purchased, rented or leased in Kansas from a Kansas-based
36 vendor. "Production expenditures" does not include any expenditures for
37 activities, work or services not conducted in Kansas and services not
38 performed at the filming site unless the vendor is a Kansas-based vendor.
39 "Production expenditures" does not include postproduction expenditures as
40 defined in subsection (p) when used for postproduction activities.

41 (r) "Qualified postproduction expenditures" means the funds actually
42 invested and expended by a production company that are postproduction
43 expenditures made in this state and that are directly used in a certified

1 production, including, but not limited to, any Kansas film media industry
2 development expenditures, and approved by the secretary of commerce.
3 "Qualified postproduction expenditures" shall not exceed the usual and
4 customary cost of the goods or services acquired. The secretary of
5 commerce or the secretary of revenue may determine the value of the
6 goods or services for purposes of this section when the buyer and seller are
7 affiliates, or the sale or purchase is not an arm's length transaction.
8 "Qualified postproduction expenditures" does not include postproduction
9 expenditures for which another taxpayer claims the production tax credit
10 pursuant to section 4, and amendments thereto.

11 (s) "Qualified production expenditures" means the funds actually
12 invested and expended by a production company that are production
13 expenditures made in this state and directly used in a certified production,
14 including any Kansas film media industry development expenditures, and
15 approved by the secretary of commerce. "Qualified production
16 expenditures" shall not exceed the usual and customary cost of the goods
17 or services acquired. The secretary of commerce or the secretary of
18 revenue may determine the value of the goods or services for purposes of
19 this act when the buyer and seller are affiliates, or the sale or purchase is
20 not an arm's length transaction. "Qualified production expenditures" does
21 not include production expenditures for which another taxpayer claims the
22 production tax credit pursuant to section 4, and amendments thereto.
23 "Qualified production expenditures" does not include wages, salaries or
24 payment paid to above-the-line personnel that constitute more than 25% of
25 total production expenditures.

26 (t) "Qualified Kansas promotion" means a promotion of this state,
27 approved by the secretary as to content, distribution, duration and
28 placement within a production, video or interactive game or in associated
29 online or other promotions, that consists of a static or animated logo that
30 promotes Kansas, an embedded Kansas promotion or a Kansas
31 advertisement and that may include a link to a Kansas website.

32 (u) "Secretary" means the secretary of commerce.

33 (v) "Vendor" means an individual or business that sells or leases
34 goods or services that are related to standard production industry inventory
35 or services, has a physical presence in Kansas, is registered with the
36 secretary of state, is subject to income tax liability under the Kansas
37 income tax act and is subject to applicable sales tax reporting
38 requirements. "Vendor" does not include a personal services business.

39 New Sec. 3. (a) There is hereby created the Kansas film industry
40 development program. The purpose of the Kansas film industry
41 development program is to:

42 (1) Provide tax incentives, including, but not limited to, an income
43 tax credit and a sales tax exemption, for eligible projects produced in

1 Kansas by production companies that meet the requirements of this act and
2 are approved as certified projects by the secretary of commerce; and

3 (2) provide support programs or services, including, but not limited to,
4 to, professional development, infrastructure investments and marketing
5 efforts to develop film industry-related Kansas businesses.

6 (b) The program shall be administered by the secretary of commerce
7 with the assistance of the Kansas creative arts industries commission. The
8 secretary of commerce shall consult with the Kansas creative arts
9 industries commission in administering this act to ensure the best possible
10 use of Kansas resources for promoting and developing film production and
11 related industry in Kansas. In determining whether to approve a project as
12 a certified project, the secretary shall consider the immediate impact and
13 potential future impact of the project on the development and growth of
14 the Kansas film, video and digital media production industry. The
15 secretary may limit, by category, specified eligible expenditures or total
16 amounts of eligible production or postproduction expenditures that may be
17 approved by the secretary as qualified production or postproduction
18 expenditures. The aggregate total amount of income tax credits and
19 expenditures for support programs or services under this act shall not
20 exceed \$10,000,000 in a fiscal year and the total aggregate amount of
21 income tax credits shall not exceed \$9,000,000 in a fiscal year. The
22 secretary shall designate at least 10% of such total aggregate amount of
23 \$10,000,000 for support programs or services under subsection (a)(2).

24 (c) To be eligible for an income tax credit or a sales tax exemption
25 under this act, a production company shall, prior to the commencement of
26 the project or of principal photography, submit the following to the
27 secretary of commerce in the form and manner and with such information
28 and documentation as required by the secretary:

29 (1) An application for approval of the production as an eligible
30 production and for designation as a certified production;

31 (2) evidence of adequate financing for the project;

32 (3) evidence of a certificate of general liability insurance with a
33 minimum coverage of \$1,000,000, or a greater amount if required by the
34 secretary, and workers compensation coverage in compliance with Kansas
35 law that shall include coverage of employer liability;

36 (4) a description of the project, timelines and anticipated completion
37 dates, anticipated eligible expenditures and project activities to be
38 conducted in Kansas, anticipated employment of crew who are Kansas
39 residents and Kansas-based above-the-line personnel or use of Kansas-
40 based vendors and any anticipated construction or contribution of
41 production infrastructure or participation in Kansas film media industry
42 development activities; and

43 (5) an economic impact statement showing the economic impact from

1 the activities of the project. Such economic impact statement shall indicate
2 the impact on the region of the state in which the project production or
3 production-related activities are conducted and any impact on the state as a
4 whole. The secretary may consider the size of the project when
5 determining the scope and information required.

6 (d) If the secretary determines that the project is an eligible project
7 and approves the application, the production company shall enter into an
8 agreement with the secretary prior to the commencement of the project on
9 such terms and conditions as the secretary may require. Such terms and
10 conditions shall include, but not be limited to, qualified Kansas
11 promotions to be provided and any limitations the secretary may impose
12 on the amounts of eligible production or postproduction expenditures that
13 may be approved by the secretary as qualified expenditures, whether in
14 total or for specified eligible expenditures or specified eligible expenditure
15 categories. The production company shall agree to the provision of
16 documentation and information to the secretary or the secretary of revenue
17 on a regular basis as requested by the secretary to determine qualified
18 expenditures and compliance with the requirements of this act and rules
19 and regulations adopted by the secretary pursuant to this act. The
20 production company shall agree to the provision of information to the
21 secretary on a regular basis as requested by the secretary regarding the
22 progress of the project and estimated completion date. The terms and
23 conditions shall include provisions for repayment of income tax credits or
24 sales tax exempted if requirements of this act or rules and regulations are
25 not met, provisions requiring cooperation with any audit conducted
26 pursuant to this act and provisions for submission of information as
27 required for publication on the Kansas economic incentive database and
28 for the secretary's reports to the legislature as provided by section 5, and
29 amendments thereto. Such terms and conditions may also include the
30 facilitation of, coordination with or provision of support services for
31 Kansas businesses and organizations to enable participation in the project
32 or the development of the Kansas film industry by the production
33 company.

34 (e) Upon approval by the secretary of commerce as an eligible and
35 certified project and the execution of the agreement as provided in
36 subsection (d), the secretary may approve an application by the production
37 company for a sales tax exemption for production or postproduction
38 expenditures pursuant to the provisions of K.S.A. 79-3606(pppp), and
39 amendments thereto, and shall notify the applicant and the secretary of
40 revenue of such approval. In considering approval of such sales tax
41 exemption, the secretary shall prioritize expenditures in rural areas or in
42 economically depressed urban areas to the extent feasible. The secretary
43 may require that all or a portion of expenditures eligible for exemption

1 from sales tax be made with businesses located in such areas, as
2 determined by the secretary. A production company receiving a sales tax
3 exemption shall provide the secretary or the secretary of revenue with such
4 documentation as requested by the secretary or the secretary of revenue to
5 show that expenditures have been made as required.

6 (f) Prior to receipt by a production company of any income tax credit
7 authorized by this act, the secretary shall examine and determine, in the
8 sole discretion of the secretary, the amount of eligible production or
9 eligible postproduction expenditures that are qualified production
10 expenditures or qualified postproduction expenditures of the production
11 company and that such expenditures are for a certified production. No
12 expenditure that was exempt from sales taxation pursuant to K.S.A. 79-
13 3606(pppp), and amendments thereto, shall also be a basis for the income
14 tax credit pursuant to section 4, and amendments thereto, unless
15 specifically approved by the secretary. The production company shall
16 provide such information and documentation as requested by the secretary
17 to make such determination. In addition, the production company shall
18 provide evidence as required by the secretary that:

19 (1) The production company has filed all Kansas tax returns and tax
20 documents required by law and withholding taxes have been submitted as
21 required by law;

22 (2) all crew who are Kansas residents and local vendors have been
23 paid and that there are no pending liens in this state against the production
24 company; and

25 (3) the certified project for which a sales tax exemption has been
26 granted or an income tax credit is requested has been completed, or in the
27 discretion of the secretary, a phase of the certified project has been
28 completed and adequate assurance, as determined by the secretary, has
29 been provided that the project will be fully completed.

30 (g) As a condition of receiving any income tax credits pursuant to this
31 act, the production company shall provide the secretary with a report by a
32 certified public accountant licensed to practice in Kansas, prepared at the
33 expense of the applicant, verifying that the expenditures have been made
34 in compliance with the requirements of this act. The report shall be
35 provided with a claim for income tax credits as required by section 4, and
36 amendments thereto, or as required by the secretary.

37 (h) The secretary shall notify the production company and the
38 secretary of revenue of determinations of qualified expenditures made by
39 the secretary of commerce.

40 (i) The secretary of commerce and the secretary of revenue may
41 adopt rules and regulations to implement the provisions of this act.

42 New Sec. 4. (a) For any production company or its affiliates that
43 make qualified production or qualified postproduction expenditures for a

1 certified production approved by the secretary of commerce, there shall be
2 allowed an income tax credit against the tax imposed under the Kansas
3 income tax act in the amount as determined pursuant to subsection (d). The
4 tax credit shall be applied against the production company's income tax
5 liability for the taxable year in which the expenditures are made by the
6 eligible production company. If the amount of the tax credit allowed
7 exceeds the production company's income tax liability for the taxable year,
8 an amount equal to the remainder of the unused tax credits shall be
9 refunded to the production company. If the eligible production company is
10 a corporation having an election in effect under subchapter S of the federal
11 internal revenue code, a partnership or a limited liability entity, the credit
12 provided by this section shall be claimed by the shareholders of such
13 corporation, the partners of such partnership or members of such limited
14 liability entity in the same manner as such shareholders, partners or
15 members account for their proportionate shares of the income or loss of
16 the corporation, partnership or limited liability entity and in accordance
17 with the agreement executed pursuant to section 3, and amendments
18 thereto. The aggregate total amount of credits allowed under this section
19 shall not exceed \$9,000,000 in a fiscal year.

20 (b) A claim for a tax credit shall be filed with the secretary of revenue
21 as part of a return filed by the production company pursuant to the Kansas
22 income tax act. The order that agreements are executed with the secretary
23 of commerce pursuant to section 3, and amendments thereto, shall
24 determine the order that credit claims are allocated by the secretary of
25 revenue. A claim shall be submitted with a return or amended return within
26 one calendar year of the date of the last eligible production expenditure or
27 the last eligible postproduction expenditure for the certified production
28 that would be eligible for an income tax credit as provided by subsection
29 (a). All qualified production expenditures or postproduction expenditures
30 incurred during the taxable year by a production company for a certified
31 production shall be submitted for credit as part of the same income tax
32 return. A tax credit claim for qualified expenditures during a taxable year
33 shall not be divided and submitted with multiple returns or in multiple
34 years.

35 (c) The claim shall include a copy of the project certification and the
36 determination of qualified production or postproduction expenditures by
37 the secretary of commerce. The claim shall also include a report by a
38 certified public accountant licensed to practice in Kansas, prepared at the
39 expense of the applicant, verifying that the expenditures have been made
40 in compliance with the requirements of this act.

41 (d) The amount of the tax credit shall be equal to 30% of:

- 42 (1) The qualified production expenditures for the certified project; or
- 43 (2) the qualified postproduction expenses for a certified project with

1 no qualified production expenses.

2 (e) The secretary of commerce may approve additional credits as
3 follows:

4 (1) (A) In addition to the amount authorized by subsection (d)(1), up
5 to 5% of the qualified production expenditures for an eligible multi-film
6 deal, eligible television series, a high-impact production or contributions to
7 film-related infrastructure or workforce development in Kansas, including,
8 but not limited to, contributions to permanent sets, sound stages, film
9 editing facilities, computer graphics, special effects or animation facilities,
10 educational facilities or programs, internships or apprenticeships or
11 equipment for production activities, in the amount such contributions are
12 approved by the secretary of commerce; or

13 (B) up to 5% for qualified production expenditures for a production if
14 50% or more of the crew or above-the-line personnel are Kansas residents;
15 or

16 (2) in addition to the amount authorized under subsection (d)(1) or
17 (2), up to an additional 5%, as determined by the secretary, of the amount
18 of the qualified production expenditures or qualified postproduction
19 expenditures, as applicable, of a certified project of a production company
20 that has previously received an income tax credit under this act with
21 respect to such certified project.

22 (f) In addition to or in lieu of the credits authorized by subsection (d),
23 as determined by the secretary, a Kansas-based production company, or a
24 Kansas-based company that hires a Kansas-based production company,
25 that incurs at least \$25,000 in qualified expenditures, including, but not
26 limited to, expenditures for a production not intended for multimarket
27 distribution but that otherwise constitute qualified expenditures, and meets
28 all other qualifications for a tax credit under this act shall receive a
29 nonrefundable tax credit in the amount of 25% of such qualified
30 production expenditures.

31 (g) For purposes of determining the payment of credit claims
32 pursuant to this section, the secretary of revenue may require that credit
33 claims of affiliates be combined into one claim if necessary to accurately
34 reflect closely integrated activities of affiliates.

35 (h) If a production company hires another production company to
36 produce a project or contribute elements of a project for pay, the hired
37 company shall be considered a service provider for the hiring company,
38 and the hiring company shall be entitled to the income tax credit
39 authorized by this section.

40 New Sec. 5. On or before January 31 of years 2023 through 2027, the
41 secretary of commerce shall submit an annual report to the standing
42 committees on commerce, labor and economic development and taxation
43 of the house and the standing committees on commerce and assessment

1 and taxation of the senate. The report shall include the amounts and
2 recipients of tax incentives approved by the secretary pursuant to this act
3 for the prior fiscal year and to the date of the report, anticipated tax
4 incentive amounts for the current fiscal year, the production companies
5 that have applied for and that have been certified for projects, a description
6 of ongoing and completed projects and the impact of such projects and the
7 program on the film, video or digital production industry in Kansas.

8 New Sec. 6. No sales tax exemption or income tax credit pursuant to
9 this act shall apply or be awarded for expenditures made on or after
10 January 1, 2027.

11 Sec. 7. K.S.A. 2021 Supp. 79-3606, as amended by section 16 of
12 2022 Senate Bill No. 347, is hereby amended to read as follows: 79-3606.
13 The following shall be exempt from the tax imposed by this act:

14 (a) All sales of motor-vehicle fuel or other articles upon which a sales
15 or excise tax has been paid, not subject to refund, under the laws of this
16 state except cigarettes and electronic cigarettes as defined by K.S.A. 79-
17 3301, and amendments thereto, including consumable material for such
18 electronic cigarettes, cereal malt beverages and malt products as defined
19 by K.S.A. 79-3817, and amendments thereto, including wort, liquid malt,
20 malt syrup and malt extract, that is not subject to taxation under the
21 provisions of K.S.A. 79-41a02, and amendments thereto, motor vehicles
22 taxed pursuant to K.S.A. 79-5117, and amendments thereto, tires taxed
23 pursuant to K.S.A. 65-3424d, and amendments thereto, drycleaning and
24 laundry services taxed pursuant to K.S.A. 65-34,150, and amendments
25 thereto, and gross receipts from regulated sports contests taxed pursuant to
26 the Kansas 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, public hospital authority, nonprofit blood, tissue or organ bank or
32 nonprofit integrated community care organization and used exclusively for
33 state, political subdivision, hospital, public hospital authority, nonprofit
34 blood, tissue or organ bank or nonprofit integrated community care
35 organization purposes, except when: (1) Such state, hospital or public
36 hospital authority is engaged or proposes to engage in any business
37 specifically taxable under the provisions of this act and such items of
38 tangible personal property or service are used or proposed to be used in
39 such business; or (2) such political subdivision is engaged or proposes to
40 engage in the business of furnishing gas, electricity or heat to others and
41 such items of personal property or service are used or proposed to be used
42 in such business;

43 (c) all sales of tangible personal property or services, including the

1 renting and leasing of tangible personal property, purchased directly by a
2 public or private elementary or secondary school or public or private
3 nonprofit educational institution and used primarily by such school or
4 institution for nonsectarian programs and activities provided or sponsored
5 by such school or institution or in the erection, repair or enlargement of
6 buildings to be used for such purposes. The exemption herein provided
7 shall not apply to erection, construction, repair, enlargement or equipment
8 of buildings used primarily for human habitation, except that such
9 exemption shall apply to the erection, construction, repair, enlargement or
10 equipment of buildings used for human habitation by the cerebral palsy
11 research foundation of Kansas located in Wichita, Kansas, and multi
12 community diversified services, incorporated, located in McPherson,
13 Kansas;

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

1 educational institution, state correctional institution including a privately
2 constructed correctional institution contracted for state use and ownership
3 shall contract for the purpose of constructing, equipping, reconstructing,
4 maintaining, repairing, enlarging, furnishing or remodeling facilities, it
5 shall obtain from the state and furnish to the contractor an exemption
6 certificate for the project involved, and the contractor may purchase
7 materials for incorporation in such project. The contractor shall furnish the
8 number of such certificate to all suppliers from whom such purchases are
9 made, and such suppliers shall execute invoices covering the same bearing
10 the number of such certificate. Upon completion of the project the
11 contractor shall furnish to the political subdivision, district described in
12 subsection (s), hospital or public hospital authority, school, educational
13 institution or department of corrections concerned a sworn statement, on a
14 form to be provided by the director of taxation, that all purchases so made
15 were entitled to exemption under this subsection. As an alternative to the
16 foregoing procedure, any such contracting entity may apply to the
17 secretary of revenue for agent status for the sole purpose of issuing and
18 furnishing project exemption certificates to contractors pursuant to rules
19 and regulations adopted by the secretary establishing conditions and
20 standards for the granting and maintaining of such status. All invoices
21 shall be held by the contractor for a period of five years and shall be
22 subject to audit by the director of taxation. If any materials purchased
23 under such a certificate are found not to have been incorporated in the
24 building or other project or not to have been returned for credit or the sales
25 or compensating tax otherwise imposed upon such materials that will not
26 be so incorporated in the building or other project reported and paid by
27 such contractor to the director of taxation not later than the 20th day of the
28 month following the close of the month in which it shall be determined
29 that such materials will not be used for the purpose for which such
30 certificate was issued, the political subdivision, district described in
31 subsection (s), hospital or public hospital authority, school, educational
32 institution or the contractor contracting with the department of corrections
33 for a correctional institution concerned shall be liable for tax on all
34 materials purchased for the project, and upon payment thereof it may
35 recover the same from the contractor together with reasonable attorney
36 fees. Any contractor or any agent, employee or subcontractor thereof, who
37 shall use or otherwise dispose of any materials purchased under such a
38 certificate for any purpose other than that for which such a certificate is
39 issued without the payment of the sales or compensating tax otherwise
40 imposed upon such materials, shall be guilty of a misdemeanor and, upon
41 conviction therefor, shall be subject to the penalties provided for in K.S.A.
42 79-3615(h), and amendments thereto;

43 (e) all sales of tangible personal property or services purchased by a

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

31 (f) tangible personal property purchased by a railroad or public utility
32 for consumption or movement directly and immediately in interstate
33 commerce;

34 (g) sales of aircraft including remanufactured and modified aircraft
35 sold to persons using directly or through an authorized agent such aircraft
36 as certified or licensed carriers of persons or property in interstate or
37 foreign commerce under authority of the laws of the United States or any
38 foreign government or sold to any foreign government or agency or
39 instrumentality of such foreign government and all sales of aircraft for use
40 outside of the United States and sales of aircraft repair, modification and
41 replacement parts and sales of services employed in the remanufacture,
42 modification and repair of aircraft;

43 (h) all rentals of nonsectarian textbooks by public or private

1 elementary or secondary schools;

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

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

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

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

19 (m) all sales of tangible personal property that become an ingredient
20 or component part of tangible personal property or services produced,
21 manufactured or compounded for ultimate sale at retail within or without
22 the state of Kansas; and any such producer, manufacturer or compounder
23 may obtain from the director of taxation and furnish to the supplier an
24 exemption certificate number for tangible personal property for use as an
25 ingredient or component part of the property or services produced,
26 manufactured or compounded;

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

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

1 (p) all sales of drugs dispensed pursuant to a prescription order by a
2 licensed practitioner or a mid-level practitioner as defined by K.S.A. 65-
3 1626, and amendments thereto. As used in this subsection, "drug" means a
4 compound, substance or preparation and any component of a compound,
5 substance or preparation, other than food and food ingredients, dietary
6 supplements or alcoholic beverages, recognized in the official United
7 States pharmacopeia, official homeopathic pharmacopoeia of the United
8 States or official national formulary, and supplement to any of them,
9 intended for use in the diagnosis, cure, mitigation, treatment or prevention
10 of disease or intended to affect the structure or any function of the body,
11 except that for taxable years commencing after December 31, 2013, this
12 subsection shall not apply to any sales of drugs used in the performance or
13 induction of an abortion, as defined in K.S.A. 65-6701, and amendments
14 thereto;

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

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

38 (s) except as provided in K.S.A. 82a-2101, and amendments thereto,
39 all sales of tangible personal property or services purchased directly or
40 indirectly by a groundwater management district organized or operating
41 under the authority of K.S.A. 82a-1020 et seq., and amendments thereto,
42 by a rural water district organized or operating under the authority of
43 K.S.A. 82a-612, and amendments thereto, or by a water supply district

1 organized or operating under the authority of K.S.A. 19-3501 et seq., 19-
2 3522 et seq. or 19-3545, and amendments thereto, which property or
3 services are used in the construction activities, operation or maintenance of
4 the district;

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

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

34 (v) all sales of tangible personal property to any contractor for use in
35 preparing meals for delivery to homebound elderly persons over 60 years
36 of age and to homebound disabled persons or to be served at a group-
37 sitting at a location outside of the home to otherwise homebound elderly
38 persons over 60 years of age and to otherwise homebound disabled
39 persons, as all or part of any food service project funded in whole or in
40 part by government or as part of a private nonprofit food service project
41 available to all such elderly or disabled persons residing within an area of
42 service designated by the private nonprofit organization, and all sales of
43 tangible personal property for use in preparing meals for consumption by

1 indigent or homeless individuals whether or not such meals are consumed
2 at a place designated for such purpose, and all sales of food products by or
3 on behalf of any such contractor or organization for any such purpose;

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

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

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

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

25 (aa) all sales of materials and services applied to equipment that is
26 transported into the state from without the state for repair, service,
27 alteration, maintenance, remanufacture or modification and that is
28 subsequently transported outside the state for use in the transmission of
29 liquids or natural gas by means of pipeline in interstate or foreign
30 commerce under authority of the laws of the United States;

31 (bb) all sales of used mobile homes or manufactured homes. As used
32 in this subsection: (1) "Mobile homes" and "manufactured homes" mean
33 the same as defined in K.S.A. 58-4202, and amendments thereto; and (2)
34 "sales of used mobile homes or manufactured homes" means sales other
35 than the original retail sale thereof;

36 (cc) all sales of tangible personal property or services purchased prior
37 to January 1, 2012, except as otherwise provided, for the purpose of and in
38 conjunction with constructing, reconstructing, enlarging or remodeling a
39 business or retail business that meets the requirements established in
40 K.S.A. 74-50,115, and amendments thereto, and the sale and installation of
41 machinery and equipment purchased for installation at any such business
42 or retail business, and all sales of tangible personal property or services
43 purchased on or after January 1, 2012, for the purpose of and in

1 conjunction with constructing, reconstructing, enlarging or remodeling a
2 business that meets the requirements established in K.S.A. 74-50,115(e),
3 and amendments thereto, and the sale and installation of machinery and
4 equipment purchased for installation at any such business. When a person
5 shall contract for the construction, reconstruction, enlargement or
6 remodeling of any such business or retail business, such person shall
7 obtain from the state and furnish to the contractor an exemption certificate
8 for the project involved, and the contractor may purchase materials,
9 machinery and equipment for incorporation in such project. The contractor
10 shall furnish the number of such certificates to all suppliers from whom
11 such purchases are made, and such suppliers shall execute invoices
12 covering the same bearing the number of such certificate. Upon
13 completion of the project the contractor shall furnish to the owner of the
14 business or retail business a sworn statement, on a form to be provided by
15 the director of taxation, that all purchases so made were entitled to
16 exemption under this subsection. All invoices shall be held by the
17 contractor for a period of five years and shall be subject to audit by the
18 director of taxation. Any contractor or any agent, employee or
19 subcontractor thereof, who shall use or otherwise dispose of any materials,
20 machinery or equipment purchased under such a certificate for any
21 purpose other than that for which such a certificate is issued without the
22 payment of the sales or compensating tax otherwise imposed thereon, shall
23 be guilty of a misdemeanor and, upon conviction therefor, shall be subject
24 to the penalties provided for in K.S.A. 79-3615(h), and amendments
25 thereto. As used in this subsection, "business" and "retail business" mean
26 the same as defined in K.S.A. 74-50,114, and amendments thereto. Project
27 exemption certificates that have been previously issued under this
28 subsection by the department of revenue pursuant to K.S.A. 74-50,115,
29 and amendments thereto, but not including K.S.A. 74-50,115(e), and
30 amendments thereto, prior to January 1, 2012, and have not expired will be
31 effective for the term of the project or two years from the effective date of
32 the certificate, whichever occurs earlier. Project exemption certificates that
33 are submitted to the department of revenue prior to January 1, 2012, and
34 are found to qualify will be issued a project exemption certificate that will
35 be effective for a two-year period or for the term of the project, whichever
36 occurs earlier;

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

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

41 (ff) on and after July 1, 1988, all sales of new mobile homes or
42 manufactured homes to the extent of 40% of the gross receipts, determined
43 without regard to any trade-in allowance, received from such sale. As used

1 in this subsection, "mobile homes" and "manufactured homes" mean the
2 same as defined in K.S.A. 58-4202, and amendments thereto;

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

6 (hh) all sales of medical supplies and equipment, including durable
7 medical equipment, purchased directly by a nonprofit skilled nursing home
8 or nonprofit intermediate nursing care home, as defined by K.S.A. 39-923,
9 and amendments thereto, for the purpose of providing medical services to
10 residents thereof. This exemption shall not apply to tangible personal
11 property customarily used for human habitation purposes. As used in this
12 subsection, "durable medical equipment" means equipment including
13 repair and replacement parts for such equipment, that can withstand
14 repeated use, is primarily and customarily used to serve a medical purpose,
15 generally is not useful to a person in the absence of illness or injury and is
16 not worn in or on the body, but does not include mobility enhancing
17 equipment as defined in subsection (r), oxygen delivery equipment, kidney
18 dialysis equipment or enteral feeding systems;

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

25 (jj) all sales of tangible personal property or services, including the
26 renting and leasing of tangible personal property, purchased directly on
27 behalf of a community-based facility for people with intellectual disability
28 or mental health center organized pursuant to K.S.A. 19-4001 et seq., and
29 amendments thereto, and licensed in accordance with the provisions of
30 K.S.A. 39-2001 et seq., and amendments thereto, and all sales of tangible
31 personal property or services purchased by contractors during the time
32 period from July, 2003, through June, 2006, for the purpose of
33 constructing, equipping, maintaining or furnishing a new facility for a
34 community-based facility for people with intellectual disability or mental
35 health center located in Riverton, Cherokee County, Kansas, that would
36 have been eligible for sales tax exemption pursuant to this subsection if
37 purchased directly by such facility or center. This exemption shall not
38 apply to tangible personal property customarily used for human habitation
39 purposes;

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

43 (B) all sales of installation, repair and maintenance services

1 performed on such machinery and equipment; and

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

4 (2) For purposes of this subsection:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27 (4) The following machinery, equipment and materials shall be
28 deemed to be exempt even though it may not otherwise qualify as
29 machinery and equipment used as an integral or essential part of an
30 integrated production operation: (A) Computers and related peripheral
31 equipment that are utilized by a manufacturing or processing business for
32 engineering of the finished product or for research and development or
33 product design; (B) machinery and equipment that is utilized by a
34 manufacturing or processing business to manufacture or rebuild tangible
35 personal property that is used in manufacturing or processing operations,
36 including tools, dies, molds, forms and other parts of qualifying machinery
37 and equipment; (C) portable plants for aggregate concrete, bulk cement
38 and asphalt including cement mixing drums to be attached to a motor
39 vehicle; (D) industrial fixtures, devices, support facilities and special
40 foundations necessary for manufacturing and production operations, and
41 materials and other tangible personal property sold for the purpose of
42 fabricating such fixtures, devices, facilities and foundations. An exemption
43 certificate for such purchases shall be signed by the manufacturer or

1 processor. If the fabricator purchases such material, the fabricator shall
2 also sign the exemption certificate; (E) a manufacturing or processing
3 business' laboratory equipment that is not located at the plant or facility,
4 but that would otherwise qualify for exemption under subsection (3)(E);
5 (F) all machinery and equipment used in surface mining activities as
6 described in K.S.A. 49-601 et seq., and amendments thereto, beginning
7 from the time a reclamation plan is filed to the acceptance of the
8 completed final site reclamation.

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

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

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

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

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

27 (E) furniture and other furnishings;

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

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

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

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

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

41 (6) Paragraphs (3) and (5) shall not be construed as exclusive listings
42 of the machinery and equipment that qualify or do not qualify as an
43 integral or essential part of an integrated production operation. When

1 machinery or equipment is used as an integral or essential part of
2 production operations part of the time and for nonproduction purposes at
3 other times, the primary use of the machinery or equipment shall
4 determine whether or not such machinery or equipment qualifies for
5 exemption.

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

8 (ll) all sales of educational materials purchased for distribution to the
9 public at no charge by a nonprofit corporation organized for the purpose of
10 encouraging, fostering and conducting programs for the improvement of
11 public health, except that for taxable years commencing after December
12 31, 2013, this subsection shall not apply to any sales of such materials
13 purchased by a nonprofit corporation which performs any abortion, as
14 defined in K.S.A. 65-6701, and amendments thereto;

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

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

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

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

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

34 (rr) all sales of tangible personal property that will admit the
35 purchaser thereof to any annual event sponsored by a nonprofit
36 organization that is exempt from federal income taxation pursuant to
37 section 501(c)(3) of the federal internal revenue code of 1986, except that
38 for taxable years commencing after December 31, 2013, this subsection
39 shall not apply to any sales of such tangible personal property purchased
40 by a nonprofit organization which performs any abortion, as defined in
41 K.S.A. 65-6701, and amendments thereto;

42 (ss) all sales of tangible personal property and services purchased by
43 a public broadcasting station licensed by the federal communications

1 commission as a noncommercial educational television or radio station;

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

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

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

15 (1) The American heart association, Kansas affiliate, inc. for the
16 purposes of providing education, training, certification in emergency
17 cardiac care, research and other related services to reduce disability and
18 death from cardiovascular diseases and stroke;

19 (2) the Kansas alliance for the mentally ill, inc. for the purpose of
20 advocacy for persons with mental illness and to education, research and
21 support for their families;

22 (3) the Kansas mental illness awareness council for the purposes of
23 advocacy for persons who are mentally ill and for education, research and
24 support for them and their families;

25 (4) the American diabetes association Kansas affiliate, inc. for the
26 purpose of eliminating diabetes through medical research, public education
27 focusing on disease prevention and education, patient education including
28 information on coping with diabetes, and professional education and
29 training;

30 (5) the American lung association of Kansas, inc. for the purpose of
31 eliminating all lung diseases through medical research, public education
32 including information on coping with lung diseases, professional education
33 and training related to lung disease and other related services to reduce the
34 incidence of disability and death due to lung disease;

35 (6) the Kansas chapters of the Alzheimer's disease and related
36 disorders association, inc. for the purpose of providing assistance and
37 support to persons in Kansas with Alzheimer's disease, and their families
38 and caregivers;

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

42 (8) the national kidney foundation of Kansas and western Missouri
43 for the purpose of eliminating kidney disease through medical research

1 and public and private education related to such disease;

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

5 (10) the cystic fibrosis foundation, heart of America chapter, for the
6 purposes of assuring the development of the means to cure and control
7 cystic fibrosis and improving the quality of life for those with the disease;

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

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

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

19 (14) the dreams work, inc., for the purpose of providing young adult
20 day services to individuals with developmental disabilities and assisting
21 families in avoiding institutional or nursing home care for a
22 developmentally disabled member of their family;

23 (15) the KSDS, Inc., for the purpose of promoting the independence
24 and inclusion of people with disabilities as fully participating and
25 contributing members of their communities and society through the
26 training and providing of guide and service dogs to people with
27 disabilities, and providing disability education and awareness to the
28 general public;

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

32 (17) the dream factory, inc., for the purpose of granting the dreams of
33 children with critical and chronic illnesses;

34 (18) the Ottawa Suzuki strings, inc., for the purpose of providing
35 students and families with education and resources necessary to enable
36 each child to develop fine character and musical ability to the fullest
37 potential;

38 (19) the international association of lions clubs for the purpose of
39 creating and fostering a spirit of understanding among all people for
40 humanitarian needs by providing voluntary services through community
41 involvement and international cooperation;

42 (20) the Johnson county young matrons, inc., for the purpose of
43 promoting a positive future for members of the community through

1 volunteerism, financial support and education through the efforts of an all
2 volunteer organization;

3 (21) the American cancer society, inc., for the purpose of eliminating
4 cancer as a major health problem by preventing cancer, saving lives and
5 diminishing suffering from cancer, through research, education, advocacy
6 and service;

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

9 (23) the angel babies association, for the purpose of providing
10 assistance, support and items of necessity to teenage mothers and their
11 babies; and

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

14 (ww) all sales of tangible personal property purchased by the habitat
15 for humanity for the exclusive use of being incorporated within a housing
16 project constructed by such organization;

17 (xx) all sales of tangible personal property and services purchased by
18 a nonprofit zoo that is exempt from federal income taxation pursuant to
19 section 501(c)(3) of the federal internal revenue code of 1986, or on behalf
20 of such zoo by an entity itself exempt from federal income taxation
21 pursuant to section 501(c)(3) of the federal internal revenue code of 1986
22 contracted with to operate such zoo and all sales of tangible personal
23 property or services purchased by a contractor for the purpose of
24 constructing, equipping, reconstructing, maintaining, repairing, enlarging,
25 furnishing or remodeling facilities for any nonprofit zoo that would be
26 exempt from taxation under the provisions of this section if purchased
27 directly by such nonprofit zoo or the entity operating such zoo. Nothing in
28 this subsection shall be deemed to exempt the purchase of any construction
29 machinery, equipment or tools used in the constructing, equipping,
30 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling
31 facilities for any nonprofit zoo. When any nonprofit zoo shall contract for
32 the purpose of constructing, equipping, reconstructing, maintaining,
33 repairing, enlarging, furnishing or remodeling facilities, it shall obtain
34 from the state and furnish to the contractor an exemption certificate for the
35 project involved, and the contractor may purchase materials for
36 incorporation in such project. The contractor shall furnish the number of
37 such certificate to all suppliers from whom such purchases are made, and
38 such suppliers shall execute invoices covering the same bearing the
39 number of such certificate. Upon completion of the project the contractor
40 shall furnish to the nonprofit zoo concerned a sworn statement, on a form
41 to be provided by the director of taxation, that all purchases so made were
42 entitled to exemption under this subsection. All invoices shall be held by
43 the contractor for a period of five years and shall be subject to audit by the

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

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

22 (zz) all sales of machinery and equipment purchased by over-the-air,
23 free access radio or television station that is used directly and primarily for
24 the purpose of producing a broadcast signal or is such that the failure of
25 the machinery or equipment to operate would cause broadcasting to cease.
26 For purposes of this subsection, machinery and equipment shall include,
27 but not be limited to, that required by rules and regulations of the federal
28 communications commission, and all sales of electricity which are
29 essential or necessary for the purpose of producing a broadcast signal or is
30 such that the failure of the electricity would cause broadcasting to cease;

31 (aaa) all sales of tangible personal property and services purchased by
32 a religious organization that is exempt from federal income taxation
33 pursuant to section 501(c)(3) of the federal internal revenue code, and used
34 exclusively for religious purposes, and all sales of tangible personal
35 property or services purchased by a contractor for the purpose of
36 constructing, equipping, reconstructing, maintaining, repairing, enlarging,
37 furnishing or remodeling facilities for any such organization that would be
38 exempt from taxation under the provisions of this section if purchased
39 directly by such organization. Nothing in this subsection shall be deemed
40 to exempt the purchase of any construction machinery, equipment or tools
41 used in the constructing, equipping, reconstructing, maintaining, repairing,
42 enlarging, furnishing or remodeling facilities for any such organization.
43 When any such organization shall contract for the purpose of constructing,

1 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or
2 remodeling facilities, it shall obtain from the state and furnish to the
3 contractor an exemption certificate for the project involved, and the
4 contractor may purchase materials for incorporation in such project. The
5 contractor shall furnish the number of such certificate to all suppliers from
6 whom such purchases are made, and such suppliers shall execute invoices
7 covering the same bearing the number of such certificate. Upon
8 completion of the project the contractor shall furnish to such organization
9 concerned a sworn statement, on a form to be provided by the director of
10 taxation, that all purchases so made were entitled to exemption under this
11 subsection. All invoices shall be held by the contractor for a period of five
12 years and shall be subject to audit by the director of taxation. If any
13 materials purchased under such a certificate are found not to have been
14 incorporated in the building or other project or not to have been returned
15 for credit or the sales or compensating tax otherwise imposed upon such
16 materials that will not be so incorporated in the building or other project
17 reported and paid by such contractor to the director of taxation not later
18 than the 20th day of the month following the close of the month in which it
19 shall be determined that such materials will not be used for the purpose for
20 which such certificate was issued, such organization concerned shall be
21 liable for tax on all materials purchased for the project, and upon payment
22 thereof it may recover the same from the contractor together with
23 reasonable attorney fees. Any contractor or any agent, employee or
24 subcontractor thereof, who shall use or otherwise dispose of any materials
25 purchased under such a certificate for any purpose other than that for
26 which such a certificate is issued without the payment of the sales or
27 compensating tax otherwise imposed upon such materials, shall be guilty
28 of a misdemeanor and, upon conviction therefor, shall be subject to the
29 penalties provided for in K.S.A. 79-3615(h), and amendments thereto.
30 Sales tax paid on and after July 1, 1998, but prior to the effective date of
31 this act 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 (bbb) all sales of food for human consumption by an organization that
42 is exempt from federal income taxation pursuant to section 501(c)(3) of
43 the federal internal revenue code of 1986, pursuant to a food distribution

1 program that offers such food at a price below cost in exchange for the
2 performance of community service by the purchaser thereof;

3 (ccc) on and after July 1, 1999, all sales of tangible personal property
4 and services purchased by a primary care clinic or health center the
5 primary purpose of which is to provide services to medically underserved
6 individuals and families, and that is exempt from federal income taxation
7 pursuant to section 501(c)(3) of the federal internal revenue code, and all
8 sales of tangible personal property or services purchased by a contractor
9 for the purpose of constructing, equipping, reconstructing, maintaining,
10 repairing, enlarging, furnishing or remodeling facilities for any such clinic
11 or center that would be exempt from taxation under the provisions of this
12 section if purchased directly by such clinic or center, except that for
13 taxable years commencing after December 31, 2013, this subsection shall
14 not apply to any sales of such tangible personal property and services
15 purchased by a primary care clinic or health center which performs any
16 abortion, as defined in K.S.A. 65-6701, and amendments thereto. Nothing
17 in this subsection shall be deemed to exempt the purchase of any
18 construction machinery, equipment or tools used in the constructing,
19 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or
20 remodeling facilities for any such clinic or center. When any such clinic or
21 center shall contract for the purpose of constructing, equipping,
22 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling
23 facilities, it shall obtain from the state and furnish to the contractor an
24 exemption certificate for the project involved, and the contractor may
25 purchase materials for incorporation in such project. The contractor shall
26 furnish the number of such certificate to all suppliers from whom such
27 purchases are made, and such suppliers shall execute invoices covering the
28 same bearing the number of such certificate. Upon completion of the
29 project the contractor shall furnish to such clinic or center concerned a
30 sworn statement, on a form to be provided by the director of taxation, that
31 all purchases so made were entitled to exemption under this subsection.
32 All invoices shall be held by the contractor for a period of five years and
33 shall be subject to audit by the director of taxation. If any materials
34 purchased under such a certificate are found not to have been incorporated
35 in the building or other project or not to have been returned for credit or
36 the sales or compensating tax otherwise imposed upon such materials that
37 will not be so incorporated in the building or other project reported and
38 paid by such contractor to the director of taxation not later than the 20th
39 day of the month following the close of the month in which it shall be
40 determined that such materials will not be used for the purpose for which
41 such certificate was issued, such clinic or center concerned shall be liable
42 for tax on all materials purchased for the project, and upon payment
43 thereof it may recover the same from the contractor together with

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

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

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

23 (fff) all sales of material handling equipment, racking systems and
24 other related machinery and equipment that is used for the handling,
25 movement or storage of tangible personal property in a warehouse or
26 distribution facility in this state; all sales of installation, repair and
27 maintenance services performed on such machinery and equipment; and
28 all sales of repair and replacement parts for such machinery and
29 equipment. For purposes of this subsection, a warehouse or distribution
30 facility means a single, fixed location that consists of buildings or
31 structures in a contiguous area where storage or distribution operations are
32 conducted that are separate and apart from the business' retail operations,
33 if any, and that do not otherwise qualify for exemption as occurring at a
34 manufacturing or processing plant or facility. Material handling and
35 storage equipment shall include aeration, dust control, cleaning, handling
36 and other such equipment that is used in a public grain warehouse or other
37 commercial grain storage facility, whether used for grain handling, grain
38 storage, grain refining or processing, or other grain treatment operation;

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

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

4 (iii) all sales of personal property and services purchased by an
5 organization that is exempt from federal income taxation pursuant to
6 section 501(c)(3) of the federal internal revenue code of 1986, and such
7 personal property and services are used by any such organization in the
8 collection, storage and distribution of food products to nonprofit
9 organizations that distribute such food products to persons pursuant to a
10 food distribution program on a charitable basis without fee or charge, and
11 all sales of tangible personal property or services purchased by a
12 contractor for the purpose of constructing, equipping, reconstructing,
13 maintaining, repairing, enlarging, furnishing or remodeling facilities used
14 for the collection and storage of such food products for any such
15 organization which is exempt from federal income taxation pursuant to
16 section 501(c)(3) of the federal internal revenue code of 1986, that would
17 be exempt from taxation under the provisions of this section if purchased
18 directly by such organization. Nothing in this subsection shall be deemed
19 to exempt the purchase of any construction machinery, equipment or tools
20 used in the constructing, equipping, reconstructing, maintaining, repairing,
21 enlarging, furnishing or remodeling facilities for any such organization.
22 When any such organization shall contract for the purpose of constructing,
23 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or
24 remodeling facilities, it shall obtain from the state and furnish to the
25 contractor an exemption certificate for the project involved, and the
26 contractor may purchase materials for incorporation in such project. The
27 contractor shall furnish the number of such certificate to all suppliers from
28 whom such purchases are made, and such suppliers shall execute invoices
29 covering the same bearing the number of such certificate. Upon
30 completion of the project the contractor shall furnish to such organization
31 concerned a sworn statement, on a form to be provided by the director of
32 taxation, that all purchases so made were entitled to exemption under this
33 subsection. All invoices shall be held by the contractor for a period of five
34 years and shall be subject to audit by the director of taxation. If any
35 materials purchased under such a certificate are found not to have been
36 incorporated in such facilities or not to have been returned for credit or the
37 sales or compensating tax otherwise imposed upon such materials that will
38 not be so incorporated in such facilities reported and paid by such
39 contractor to the director of taxation not later than the 20th day of the
40 month following the close of the month in which it shall be determined
41 that such materials will not be used for the purpose for which such
42 certificate was issued, such organization concerned shall be liable for tax
43 on all materials purchased for the project, and upon payment thereof it

1 may recover the same from the contractor together with reasonable
2 attorney fees. Any contractor or any agent, employee or subcontractor
3 thereof, who shall use or otherwise dispose of any materials purchased
4 under such a certificate for any purpose other than that for which such a
5 certificate is issued without the payment of the sales or compensating tax
6 otherwise imposed upon such materials, shall be guilty of a misdemeanor
7 and, upon conviction therefor, shall be subject to the penalties provided for
8 in K.S.A. 79-3615(h), and amendments thereto. Sales tax paid on and after
9 July 1, 2005, but prior to the effective date of this act upon the gross
10 receipts received from any sale exempted by the amendatory provisions of
11 this subsection shall be refunded. Each claim for a sales tax refund shall be
12 verified and submitted to the director of taxation upon forms furnished by
13 the director and shall be accompanied by any additional documentation
14 required by the director. The director shall review each claim and shall
15 refund that amount of sales tax paid as determined under the provisions of
16 this subsection. All refunds shall be paid from the sales tax refund fund
17 upon warrants of the director of accounts and reports pursuant to vouchers
18 approved by the director or the director's designee;

19 (jjj) all sales of dietary supplements dispensed pursuant to a
20 prescription order by a licensed practitioner or a mid-level practitioner as
21 defined by K.S.A. 65-1626, and amendments thereto. As used in this
22 subsection, "dietary supplement" means any product, other than tobacco,
23 intended to supplement the diet that: (1) Contains one or more of the
24 following dietary ingredients: A vitamin, a mineral, an herb or other
25 botanical, an amino acid, a dietary substance for use by humans to
26 supplement the diet by increasing the total dietary intake or a concentrate,
27 metabolite, constituent, extract or combination of any such ingredient; (2)
28 is intended for ingestion in tablet, capsule, powder, softgel, gelcap or
29 liquid form, or if not intended for ingestion, in such a form, is not
30 represented as conventional food and is not represented for use as a sole
31 item of a meal or of the diet; and (3) is required to be labeled as a dietary
32 supplement, identifiable by the supplemental facts box found on the label
33 and as required pursuant to 21 C.F.R. § 101.36;

34 (III) all sales of tangible personal property and services purchased by
35 special olympics Kansas, inc. for the purpose of providing year-round
36 sports training and athletic competition in a variety of olympic-type sports
37 for individuals with intellectual disabilities by giving them continuing
38 opportunities to develop physical fitness, demonstrate courage, experience
39 joy and participate in a sharing of gifts, skills and friendship with their
40 families, other special olympics athletes and the community, and activities
41 provided or sponsored by such organization, and all sales of tangible
42 personal property by or on behalf of any such organization;

43 (mmm) all sales of tangible personal property purchased by or on

1 behalf of the Marillac center, inc., which is exempt from federal income
2 taxation pursuant to section 501(c)(3) of the federal internal revenue code,
3 for the purpose of providing psycho-social-biological and special
4 education services to children, and all sales of any such property by or on
5 behalf of such organization for such purpose;

6 (nnn) all sales of tangible personal property and services purchased
7 by the west Sedgwick county-sunrise rotary club and sunrise charitable
8 fund for the purpose of constructing a boundless playground which is an
9 integrated, barrier free and developmentally advantageous play
10 environment for children of all abilities and disabilities;

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

15 (ppp) all sales of tangible personal property and services purchased
16 by or on behalf of a homeless shelter that is exempt from federal income
17 taxation pursuant to section 501(c)(3) of the federal income tax code of
18 1986, and used by any such homeless shelter to provide emergency and
19 transitional housing for individuals and families experiencing
20 homelessness, and all sales of any such property by or on behalf of any
21 such homeless shelter for any such purpose;

22 (qqq) all sales of tangible personal property and services purchased
23 by TLC for children and families, inc., hereinafter referred to as TLC,
24 which is exempt from federal income taxation pursuant to section 501(c)
25 (3) of the federal internal revenue code of 1986, and such property and
26 services are used for the purpose of providing emergency shelter and
27 treatment for abused and neglected children as well as meeting additional
28 critical needs for children, juveniles and family, and all sales of any such
29 property by or on behalf of TLC for any such purpose; and all sales of
30 tangible personal property or services purchased by a contractor for the
31 purpose of constructing, maintaining, repairing, enlarging, furnishing or
32 remodeling facilities for the operation of services for TLC for any such
33 purpose that would be exempt from taxation under the provisions of this
34 section if purchased directly by TLC. Nothing in this subsection shall be
35 deemed to exempt the purchase of any construction machinery, equipment
36 or tools used in the constructing, maintaining, repairing, enlarging,
37 furnishing or remodeling such facilities for TLC. When TLC contracts for
38 the purpose of constructing, maintaining, repairing, enlarging, furnishing
39 or remodeling such facilities, it shall obtain from the state and furnish to
40 the contractor an exemption certificate for the project involved, and the
41 contractor may purchase materials for incorporation in such project. The
42 contractor shall furnish the number of such certificate to all suppliers from
43 whom such purchases are made, and such suppliers shall execute invoices

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

24 (rrr) all sales of tangible personal property and services purchased by
25 any county law library maintained pursuant to law and sales of tangible
26 personal property and services purchased by an organization that would
27 have been exempt from taxation under the provisions of this subsection if
28 purchased directly by the county law library for the purpose of providing
29 legal resources to attorneys, judges, students and the general public, and
30 all sales of any such property by or on behalf of any such county law
31 library;

32 (sss) all sales of tangible personal property and services purchased by
33 catholic charities or youthville, hereinafter referred to as charitable family
34 providers, which is exempt from federal income taxation pursuant to
35 section 501(c)(3) of the federal internal revenue code of 1986, and which
36 such property and services are used for the purpose of providing
37 emergency shelter and treatment for abused and neglected children as well
38 as meeting additional critical needs for children, juveniles and family, and
39 all sales of any such property by or on behalf of charitable family
40 providers for any such purpose; and all sales of tangible personal property
41 or services purchased by a contractor for the purpose of constructing,
42 maintaining, repairing, enlarging, furnishing or remodeling facilities for
43 the operation of services for charitable family providers for any such

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

36 (ttt) all sales of tangible personal property or services purchased by a
37 contractor for a project for the purpose of restoring, constructing,
38 equipping, reconstructing, maintaining, repairing, enlarging, furnishing or
39 remodeling a home or facility owned by a nonprofit museum that has been
40 granted an exemption pursuant to subsection (qq), which such home or
41 facility is located in a city that has been designated as a qualified
42 hometown pursuant to the provisions of K.S.A. 75-5071 et seq., and
43 amendments thereto, and which such project is related to the purposes of

1 K.S.A. 75-5071 et seq., and amendments thereto, and that would be
2 exempt from taxation under the provisions of this section if purchased
3 directly by such nonprofit museum. Nothing in this subsection shall be
4 deemed to exempt the purchase of any construction machinery, equipment
5 or tools used in the restoring, constructing, equipping, reconstructing,
6 maintaining, repairing, enlarging, furnishing or remodeling a home or
7 facility for any such nonprofit museum. When any such nonprofit museum
8 shall contract for the purpose of restoring, constructing, equipping,
9 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling
10 a home or facility, it shall obtain from the state and furnish to the
11 contractor an exemption certificate for the project involved, and the
12 contractor may purchase materials for incorporation in such project. The
13 contractor shall furnish the number of such certificates to all suppliers
14 from whom such purchases are made, and such suppliers shall execute
15 invoices covering the same bearing the number of such certificate. Upon
16 completion of the project, the contractor shall furnish to such nonprofit
17 museum a sworn statement on a form to be provided by the director of
18 taxation that all purchases so made were entitled to exemption under this
19 subsection. All invoices shall be held by the contractor for a period of five
20 years and shall be subject to audit by the director of taxation. If any
21 materials purchased under such a certificate are found not to have been
22 incorporated in the building or other project or not to have been returned
23 for credit or the sales or compensating tax otherwise imposed upon such
24 materials that will not be so incorporated in a home or facility or other
25 project reported and paid by such contractor to the director of taxation not
26 later than the 20th day of the month following the close of the month in
27 which it shall be determined that such materials will not be used for the
28 purpose for which such certificate was issued, such nonprofit museum
29 shall be liable for tax on all materials purchased for the project, and upon
30 payment thereof it may recover the same from the contractor together with
31 reasonable attorney fees. Any contractor or any agent, employee or
32 subcontractor thereof, who shall use or otherwise dispose of any materials
33 purchased under such a certificate for any purpose other than that for
34 which such a certificate is issued without the payment of the sales or
35 compensating tax otherwise imposed upon such materials, shall be guilty
36 of a misdemeanor and, upon conviction therefor, shall be subject to the
37 penalties provided for in K.S.A. 79-3615(h), and amendments thereto;

38 (uuu) all sales of tangible personal property and services purchased
39 by Kansas children's service league, hereinafter referred to as KCSL,
40 which is exempt from federal income taxation pursuant to section 501(c)
41 (3) of the federal internal revenue code of 1986, and which such property
42 and services are used for the purpose of providing for the prevention and
43 treatment of child abuse and maltreatment as well as meeting additional

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

40 (vvv) all sales of tangible personal property or services, including the
41 renting and leasing of tangible personal property or services, purchased by
42 jazz in the woods, inc., a Kansas corporation that is exempt from federal
43 income taxation pursuant to section 501(c)(3) of the federal internal

1 revenue code, for the purpose of providing jazz in the woods, an event
2 benefiting children-in-need and other nonprofit charities assisting such
3 children, and all sales of any such property by or on behalf of such
4 organization for such purpose;

5 (www) all sales of tangible personal property purchased by or on
6 behalf of the Frontenac education foundation, which is exempt from
7 federal income taxation pursuant to section 501(c)(3) of the federal
8 internal revenue code, for the purpose of providing education support for
9 students, and all sales of any such property by or on behalf of such
10 organization for such purpose;

11 (xxx) all sales of personal property and services purchased by the
12 booth theatre foundation, inc., an organization, which is exempt from
13 federal income taxation pursuant to section 501(c)(3) of the federal
14 internal revenue code of 1986, and which such personal property and
15 services are used by any such organization in the constructing, equipping,
16 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling
17 of the booth theatre, and all sales of tangible personal property or services
18 purchased by a contractor for the purpose of constructing, equipping,
19 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling
20 the booth theatre for such organization, that would be exempt from
21 taxation under the provisions of this section if purchased directly by such
22 organization. Nothing in this subsection shall be deemed to exempt the
23 purchase of any construction machinery, equipment or tools used in the
24 constructing, equipping, reconstructing, maintaining, repairing, enlarging,
25 furnishing or remodeling facilities for any such organization. When any
26 such organization shall contract for the purpose of constructing, equipping,
27 reconstructing, maintaining, repairing, enlarging, furnishing or remodeling
28 facilities, it shall obtain from the state and furnish to the contractor an
29 exemption certificate for the project involved, and the contractor may
30 purchase materials for incorporation in such project. The contractor shall
31 furnish the number of such certificate to all suppliers from whom such
32 purchases are made, and such suppliers shall execute invoices covering the
33 same bearing the number of such certificate. Upon completion of the
34 project the contractor shall furnish to such organization concerned a sworn
35 statement, on a form to be provided by the director of taxation, that all
36 purchases so made were entitled to exemption under this subsection. All
37 invoices shall be held by the contractor for a period of five years and shall
38 be subject to audit by the director of taxation. If any materials purchased
39 under such a certificate are found not to have been incorporated in such
40 facilities or not to have been returned for credit or the sales or
41 compensating tax otherwise imposed upon such materials that will not be
42 so incorporated in such facilities reported and paid by such contractor to
43 the director of taxation not later than the 20th day of the month following

1 the close of the month in which it shall be determined that such materials
2 will not be used for the purpose for which such certificate was issued, such
3 organization concerned shall be liable for tax on all materials purchased
4 for the project, and upon payment thereof it may recover the same from
5 the contractor together with reasonable attorney fees. Any contractor or
6 any agent, employee or subcontractor thereof, who shall use or otherwise
7 dispose of any materials purchased under such a certificate for any purpose
8 other than that for which such a certificate is issued without the payment
9 of the sales or compensating tax otherwise imposed upon such materials,
10 shall be guilty of a misdemeanor and, upon conviction therefor, shall be
11 subject to the penalties provided for in K.S.A. 79-3615(h), and
12 amendments thereto. Sales tax paid on and after January 1, 2007, but prior
13 to the effective date of this act upon the gross receipts received from any
14 sale which would have been exempted by the provisions of this subsection
15 had such sale occurred after the effective date of this act shall be refunded.
16 Each claim for a sales tax refund shall be verified and submitted to the
17 director of taxation upon forms furnished by the director and shall be
18 accompanied by any additional documentation required by the director.
19 The director shall review each claim and shall refund that amount of sales
20 tax paid as determined under the provisions of this subsection. All refunds
21 shall be paid from the sales tax refund fund upon warrants of the director
22 of accounts and reports pursuant to vouchers approved by the director or
23 the director's designee;

24 (yyy) all sales of tangible personal property and services purchased
25 by TLC charities foundation, inc., hereinafter referred to as TLC charities,
26 which is exempt from federal income taxation pursuant to section 501(c)
27 (3) of the federal internal revenue code of 1986, and which such property
28 and services are used for the purpose of encouraging private philanthropy
29 to further the vision, values, and goals of TLC for children and families,
30 inc.; and all sales of such property and services by or on behalf of TLC
31 charities for any such purpose and all sales of tangible personal property or
32 services purchased by a contractor for the purpose of constructing,
33 maintaining, repairing, enlarging, furnishing or remodeling facilities for
34 the operation of services for TLC charities for any such purpose that would
35 be exempt from taxation under the provisions of this section if purchased
36 directly by TLC charities. Nothing in this subsection shall be deemed to
37 exempt the purchase of any construction machinery, equipment or tools
38 used in the constructing, maintaining, repairing, enlarging, furnishing or
39 remodeling such facilities for TLC charities. When TLC charities contracts
40 for the purpose of constructing, maintaining, repairing, enlarging,
41 furnishing or remodeling such facilities, it shall obtain from the state and
42 furnish to the contractor an exemption certificate for the project involved,
43 and the contractor may purchase materials for incorporation in such

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

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

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

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

42 (cccc) all sales of tangible personal property or services purchased by
43 or on behalf of wayside waifs, inc., which is exempt from federal income

1 taxation pursuant to section 501(c)(3) of the federal internal revenue code,
2 for the purpose of providing such organization's annual fundraiser, an
3 event whose purpose is to support the care of homeless and abandoned
4 animals, animal adoption efforts, education programs for children and
5 efforts to reduce animal over-population and animal welfare services, and
6 all sales of any such property, including entry or participation fees or
7 charges, by or on behalf of such organization for such purpose;

8 (dddd) all sales of tangible personal property or services purchased
9 by or on behalf of goodwill industries or Easter seals of Kansas, inc., both
10 of which are exempt from federal income taxation pursuant to section
11 501(c)(3) of the federal internal revenue code, for the purpose of providing
12 education, training and employment opportunities for people with
13 disabilities and other barriers to employment;

14 (eeee) all sales of tangible personal property or services purchased by
15 or on behalf of all American beef battalion, inc., which is exempt from
16 federal income taxation pursuant to section 501(c)(3) of the federal
17 internal revenue code, for the purpose of educating, promoting and
18 participating as a contact group through the beef cattle industry in order to
19 carry out such projects that provide support and morale to members of the
20 United States armed forces and military services;

21 (ffff) all sales of tangible personal property and services purchased by
22 sheltered living, inc., which is exempt from federal income taxation
23 pursuant to section 501(c)(3) of the federal internal revenue code of 1986,
24 and which such property and services are used for the purpose of
25 providing residential and day services for people with developmental
26 disabilities or intellectual disability, or both, and all sales of any such
27 property by or on behalf of sheltered living, inc., for any such purpose; and
28 all sales of tangible personal property or services purchased by a
29 contractor for the purpose of rehabilitating, constructing, maintaining,
30 repairing, enlarging, furnishing or remodeling homes and facilities for
31 sheltered living, inc., for any such purpose that would be exempt from
32 taxation under the provisions of this section if purchased directly by
33 sheltered living, inc. Nothing in this subsection shall be deemed to exempt
34 the purchase of any construction machinery, equipment or tools used in the
35 constructing, maintaining, repairing, enlarging, furnishing or remodeling
36 such homes and facilities for sheltered living, inc. When sheltered living,
37 inc., contracts for the purpose of rehabilitating, constructing, maintaining,
38 repairing, enlarging, furnishing or remodeling such homes and facilities, it
39 shall obtain from the state and furnish to the contractor an exemption
40 certificate for the project involved, and the contractor may purchase
41 materials for incorporation in such project. The contractor shall furnish the
42 number of such certificate to all suppliers from whom such purchases are
43 made, and such suppliers shall execute invoices covering the same bearing

1 the number of such certificate. Upon completion of the project the
2 contractor shall furnish to sheltered living, inc., a sworn statement, on a
3 form to be provided by the director of taxation, that all purchases so made
4 were entitled to exemption under this subsection. All invoices shall be held
5 by the contractor for a period of five years and shall be subject to audit by
6 the director of taxation. If any materials purchased under such a certificate
7 are found not to have been incorporated in the building or other project or
8 not to have been returned for credit or the sales or compensating tax
9 otherwise imposed upon such materials that will not be so incorporated in
10 the building or other project reported and paid by such contractor to the
11 director of taxation not later than the 20th day of the month following the
12 close of the month in which it shall be determined that such materials will
13 not be used for the purpose for which such certificate was issued, sheltered
14 living, inc., shall be liable for tax on all materials purchased for the
15 project, and upon payment thereof it may recover the same from the
16 contractor together with reasonable attorney fees. 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 K.S.A. 79-3615(h), and
23 amendments thereto;

24 (gggg) all sales of game birds for which the primary purpose is use in
25 hunting;

26 (hhhh) all sales of tangible personal property or services purchased
27 on or after July 1, 2014, for the purpose of and in conjunction with
28 constructing, reconstructing, enlarging or remodeling a business identified
29 under the North American industry classification system (NAICS)
30 subsectors 1123, 1124, 112112, 112120 or 112210, and the sale and
31 installation of machinery and equipment purchased for installation at any
32 such business. The exemption provided in this subsection shall not apply
33 to projects that have actual total costs less than \$50,000. When a person
34 contracts for the construction, reconstruction, enlargement or remodeling
35 of any such business, such person shall obtain from the state and furnish to
36 the contractor an exemption certificate for the project involved, and the
37 contractor may purchase materials, machinery and equipment for
38 incorporation in such project. The contractor shall furnish the number of
39 such certificates to all suppliers from whom such purchases are made, and
40 such suppliers shall execute invoices covering the same bearing the
41 number of such certificate. Upon completion of the project, the contractor
42 shall furnish to the owner of the business a sworn statement, on a form to
43 be provided by the director of taxation, that all purchases so made were

1 entitled to exemption under this subsection. All invoices shall be held by
2 the contractor for a period of five years and shall be subject to audit by the
3 director of taxation. Any contractor or any agent, employee or
4 subcontractor of the contractor, who shall use or otherwise dispose of any
5 materials, machinery or equipment purchased under such a certificate for
6 any purpose other than that for which such a certificate is issued without
7 the payment of the sales or compensating tax otherwise imposed thereon,
8 shall be guilty of a misdemeanor and, upon conviction therefor, shall be
9 subject to the penalties provided for in K.S.A. 79-3615(h), and
10 amendments thereto;

11 (iii) all sales of tangible personal property or services purchased by a
12 contractor for the purpose of constructing, maintaining, repairing,
13 enlarging, furnishing or remodeling facilities for the operation of services
14 for Wichita children's home for any such purpose that would be exempt
15 from taxation under the provisions of this section if purchased directly by
16 Wichita children's home. Nothing in this subsection shall be deemed to
17 exempt the purchase of any construction machinery, equipment or tools
18 used in the constructing, maintaining, repairing, enlarging, furnishing or
19 remodeling such facilities for Wichita children's home. When Wichita
20 children's home contracts for the purpose of constructing, maintaining,
21 repairing, enlarging, furnishing or remodeling such facilities, it shall obtain
22 from the state and furnish to the contractor an exemption certificate for
23 the project involved, and the contractor may purchase materials for
24 incorporation in such project. The contractor shall furnish the number of
25 such certificate to all suppliers from whom such purchases are made, and
26 such suppliers shall execute invoices covering the same bearing the
27 number of such certificate. Upon completion of the project, the contractor
28 shall furnish to Wichita children's home a sworn statement, on a form to be
29 provided by the director of taxation, that all purchases so made were
30 entitled to exemption under this subsection. All invoices shall be held by
31 the contractor for a period of five years and shall be subject to audit by the
32 director of taxation. If any materials purchased under such a certificate are
33 found not to have been incorporated in the building or other project or not
34 to have been returned for credit or the sales or compensating tax otherwise
35 imposed upon such materials that will not be so incorporated in the
36 building or other project reported and paid by such contractor to the
37 director of taxation not later than the 20th day of the month following the
38 close of the month in which it shall be determined that such materials will
39 not be used for the purpose for which such certificate was issued, Wichita
40 children's home shall be liable for the tax on all materials purchased for the
41 project, and upon payment, it may recover the same from the contractor
42 together with reasonable attorney fees. Any contractor or any agent,
43 employee or subcontractor, who shall use or otherwise dispose of any

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

6 (jjjj) all sales of tangible personal property or services purchased by
7 or on behalf of the beacon, inc., that is exempt from federal income
8 taxation pursuant to section 501(c)(3) of the federal internal revenue code,
9 for the purpose of providing those desiring help with food, shelter, clothing
10 and other necessities of life during times of special need;

11 (kkkk) all sales of tangible personal property and services purchased
12 by or on behalf of reaching out from within, inc., which is exempt from
13 federal income taxation pursuant to section 501(c)(3) of the federal
14 internal revenue code, for the purpose of sponsoring self-help programs for
15 incarcerated persons that will enable such incarcerated persons to become
16 role models for non-violence while in correctional facilities and productive
17 family members and citizens upon return to the community;

18 (llll) all sales of tangible personal property and services purchased by
19 Gove county healthcare endowment foundation, inc., which is exempt
20 from federal income taxation pursuant to section 501(c)(3) of the federal
21 internal revenue code of 1986, and which such property and services are
22 used for the purpose of constructing and equipping an airport in Quinter,
23 Kansas, and all sales of tangible personal property or services purchased
24 by a contractor for the purpose of constructing and equipping an airport in
25 Quinter, Kansas, for such organization, that would be exempt from
26 taxation under the provisions of this section if purchased directly by such
27 organization. Nothing in this subsection shall be deemed to exempt the
28 purchase of any construction machinery, equipment or tools used in the
29 constructing or equipping of facilities for such organization. When such
30 organization shall contract for the purpose of constructing or equipping an
31 airport in Quinter, Kansas, it shall obtain from the state and furnish to the
32 contractor an exemption certificate for the project involved, and the
33 contractor may purchase materials for incorporation in such project. The
34 contractor shall furnish the number of such certificate to all suppliers from
35 whom such purchases are made, and such suppliers shall execute invoices
36 covering the same bearing the number of such certificate. Upon
37 completion of the project, the contractor shall furnish to such organization
38 concerned a sworn statement, on a form to be provided by the director of
39 taxation, that all purchases so made were entitled to exemption under this
40 subsection. All invoices shall be held by the contractor for a period of five
41 years and shall be subject to audit by the director of taxation. If any
42 materials purchased under such a certificate are found not to have been
43 incorporated in such facilities or not to have been returned for credit or the

1 sales or compensating tax otherwise imposed upon such materials that will
2 not be so incorporated in such facilities reported and paid by such
3 contractor to the director of taxation no later than the 20th day of the month
4 following the close of the month in which it shall be determined that such
5 materials will not be used for the purpose for which such certificate was
6 issued, such organization concerned shall be liable for tax on all materials
7 purchased for the project, and upon payment thereof it may recover the
8 same from the contractor together with reasonable attorney fees. Any
9 contractor or any agent, employee or subcontractor thereof, who purchased
10 under such a certificate for any purpose other than that for which such a
11 certificate is issued without the payment of the sales or compensating tax
12 otherwise imposed upon such materials, shall be guilty of a misdemeanor
13 and, upon conviction therefor, shall be subject to the penalties provided for
14 in K.S.A. 79-3615(h), and amendments thereto. The provisions of this
15 subsection shall expire and have no effect on and after July 1, 2019;

16 (mmmm) all sales of gold or silver coins; and palladium, platinum,
17 gold or silver bullion. For the purposes of this subsection, "bullion" means
18 bars, ingots or commemorative medallions of gold, silver, platinum,
19 palladium, or a combination thereof, for which the value of the metal
20 depends on its content and not the form;

21 (nnnn) all sales of tangible personal property or services purchased
22 by friends of hospice of Jefferson county, an organization that is exempt
23 from federal income taxation pursuant to section 501(c)(3) of the federal
24 internal revenue code of 1986, for the purpose of providing support to the
25 Jefferson county hospice agency in end-of-life care of Jefferson county
26 families, friends and neighbors, and all sales of entry or participation fees,
27 charges or tickets by friends of hospice of Jefferson county for such
28 organization's fundraising event for such purpose; ~~and~~

29 (oooo) all sales of tangible personal property or services purchased
30 for the purpose of and in conjunction with constructing, reconstructing,
31 enlarging or remodeling a qualified business facility by a qualified firm or
32 qualified supplier that meets the requirements established in sections 2 and
33 9 of 2022 Senate Bill No. 347, and amendments thereto, and that has been
34 approved for a project exemption certificate by the secretary of commerce,
35 and the sale and installation of machinery and equipment purchased by
36 such qualified firm or qualified supplier for installation at any such
37 qualified business facility. When a person shall contract for the
38 construction, reconstruction, enlargement or remodeling of any such
39 qualified business facility, such person shall obtain from the state and
40 furnish to the contractor an exemption certificate for the project involved,
41 and the contractor may purchase materials, machinery and equipment for
42 incorporation in such project. The contractor shall furnish the number of
43 such certificates to all suppliers from whom such purchases are made, and

1 such suppliers shall execute invoices covering the same bearing the
2 number of such certificate. Upon completion of the project, the contractor
3 shall furnish to the owner of the qualified firm or qualified supplier a
4 sworn statement, on a form to be provided by the director of taxation, that
5 all purchases so made were entitled to exemption under this subsection.
6 All invoices shall be held by the contractor for a period of five years and
7 shall be subject to audit by the director of taxation. Any contractor or any
8 agent, employee or subcontractor thereof who shall use or otherwise
9 dispose of any materials, machinery or equipment purchased under such a
10 certificate for any purpose other than that for which such a certificate is
11 issued without the payment of the sales or compensating tax otherwise
12 imposed thereon, shall be guilty of a misdemeanor and, upon conviction
13 therefor, shall be subject to the penalties provided for in K.S.A. 79-
14 3615(h), and amendments thereto. As used in this subsection, "qualified
15 business facility," "qualified firm" and "qualified supplier" mean the same
16 as defined in section 1 of 2022 Senate Bill No. 347, and amendments
17 thereto; and

18 *(pppp) as provided by section 3, and amendments thereto, all sales of*
19 *tangible personal property or services constituting production or*
20 *postproduction expenditures purchased for the purpose of a certified*
21 *project by a production company that meets the requirements established*
22 *in the Kansas film production industry development act, and that has been*
23 *approved for a project exemption certificate by the secretary of commerce,*
24 *and the sale and installation of machinery and equipment constituting*
25 *production or postproduction expenditures purchased by such production*
26 *company for use in this state for a certified project. Such sales tax*
27 *exemptions may be limited by the secretary of commerce as provided by*
28 *section 3, and amendments thereto. When a production company contracts*
29 *for construction, reconstruction, enlargement or remodeling of any facility*
30 *for purposes of a certified project that constitutes a production or*
31 *postproduction expenditure, the production company shall obtain from the*
32 *state and furnish to the contractor an exemption certificate for the*
33 *certified project, and the contractor may purchase materials, machinery*
34 *and equipment for incorporation in such work. The contractor shall*
35 *furnish the number of such certificates to all suppliers from whom such*
36 *purchases are made, and such suppliers shall execute invoices covering*
37 *the same bearing the number of such certificate. Upon completion of the*
38 *work, the contractor shall furnish to the owner of the production company*
39 *a sworn statement, on a form to be provided by the director of taxation,*
40 *that all purchases so made were entitled to exemption under this*
41 *subsection and section 3, and amendments thereto. All invoices shall be*
42 *held by the contractor for a period of five years and shall be subject to*
43 *audit by the director of taxation. Any contractor or any agent, employee or*

1 *subcontractor thereof who uses or otherwise disposes of any materials,*
2 *machinery or equipment purchased under such a certificate for any*
3 *purpose other than that for which such a certificate is issued without the*
4 *payment of the sales or compensating tax otherwise imposed thereon, shall*
5 *be guilty of a misdemeanor and, upon conviction therefor, shall be subject*
6 *to the penalties provided for in K.S.A. 79-3615(h), and amendments*
7 *thereto. As used in this subsection, certified project, production company,*
8 *production expenditure and postproduction expenditure mean the same as*
9 *defined in section 2, and amendments thereto.*

10 Sec. 8. K.S.A. 2021 Supp. 79-3606, as amended by section 16 of
11 2022 Senate Bill No. 347, is hereby repealed.

12 Sec. 9. This act shall take effect and be in force from and after its
13 publication in the statute book.