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Session of 1999

SENATE BILL No. 45

An Act enacting the tax reform and relief act of 1999; amending K.S.A. 2-610, 2-1318, 2-1319, 2-1322, 2-2007, 3-121, 12-1403, 12-1405, 12-1617h, 19-236, 19-807d, 19-2803, 19-2803e, 19-3105, 19-3106, 19-3305, 19-4004, 19-4011, 19-4102, 65-212, 68-166, 68-518c, 68-582, 73-407, 76-326a, 79-201, 79-5a01, 79-1945, 79-1946, 79-1962, 79-32,197, 79-32,201, 80-115, 80-119, 80-808, 80-903, 80-932, 80-1417, 80-1503, 80-1509, 80-1537, 80-1806, 80-1903, 80-1909, 80-1916, 80-1920, 80-1921, 80-1924, 80-2006, 80-2021, 80-2201, 80-2204 and 82a-308 and K.S.A. 1998 Supp. 79-201a, 79-201b, 79-32,117, 79-32,195, 79-3602, 79-3606 and 79-3606, as amended by section 6 of this act, and repealing the existing sections; also repealing K.S.A. 79-1947, 79-1947b, 79-1948, 79-1949, 79-1950, 79-1951, 79-1952 and 79-1953 and K.S.A. 1998 Supp. 79-3606, as amended by section 18 of House Bill No. 2168.

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

Section 1. On and after July 1, 1999, K.S.A. 1998 Supp. 79-3602 is hereby amended to read as follows: 79-3602. (a) "Persons" means any individual, firm, copartnership, joint adventure, association, corporation, estate or trust, receiver or trustee, or any group or combination acting as a unit, and the plural as well as the singular number; and shall specifically mean any city or other political subdivision of the state of Kansas engaging in a business or providing a service specifically taxable under the provisions of this act.

(b) "Director" means the state director of taxation.

(c) "Sale" or "sales" means the exchange of tangible personal property, as well as the sale thereof for money, and every transaction, conditional or otherwise, for a consideration, constituting a sale, including the

sale or furnishing of electrical energy, gas, water, services or entertainment taxable under the terms of this act and including, except as provided in the following provision, the sale of the use of tangible personal property by way of a lease, license to use or the rental thereof regardless of the method by which the title, possession or right to use the tangible personal property is transferred. The term "sale" or "sales" shall not mean the sale of the use of any tangible personal property used as a dwelling by way of a lease or rental thereof for a term of more than 28 consecutive days.

(d) "Retailer" means a person regularly engaged in the business of selling tangible personal property at retail or furnishing electrical energy, gas, water, services or entertainment, and selling only to the user or consumer and not for resale.

(e) "Retail sale" or "sale at retail" means all sales made within the state of tangible personal property or electrical energy, gas, water, services or entertainment for use or consumption and not for resale.

(f) "Tangible personal property" means corporeal personal property. Such term shall include: (1) Any computer software program which is not a custom computer software program, as described by subsection (s) of K.S.A. 79-3603, and amendments thereto; and (2) ~~and~~ **any** prepaid telephone calling card or prepaid authorization number, or recharge of such card or number, as described by subsection (b) of K.S.A. 79-3603, and amendments thereto.

(g) "Selling price" means the total cost to the consumer exclusive of discounts allowed and credited, but including freight and transportation charges from retailer to consumer.

(h) "Gross receipts" means the total selling price or the amount received as defined in this act, in money, credits, property or other consideration valued in money from sales at retail within this state; and embraced within the provisions of this act. The taxpayer, may take credit in the report of gross receipts for: (1) An amount equal to the selling price of property returned by the purchaser when the full sale price thereof, including the tax collected, is refunded in cash or by credit; **and** (2) an amount equal to the allowance given for the trade-in of property.

(i) "Taxpayer" means any person obligated to account to the director for taxes collected under the terms of this act.

(j) "Isolated or occasional sale" means the nonrecurring sale of tangible personal property, or services taxable hereunder by a person not engaged at the time of such sale in the business of selling such property or services. Any religious organization which makes a nonrecurring sale of tangible personal property acquired for the purpose of resale shall be

deemed to be not engaged at the time of such sale in the business of selling such property. Such term shall include: (1) Any sale by a bank, savings and loan institution, credit union or any finance company licensed under the provisions of the Kansas uniform consumer credit code of tangible personal property which has been repossessed by any such entity; and (2) any sale of tangible personal property made by an auctioneer or agent on behalf of not more than two principals or households if such sale is nonrecurring and any such principal or household is not engaged at the time of such sale in the business of selling tangible personal property.

(k) "Service" means those services described in and taxed under the provisions of K.S.A. 79-3603 and amendments thereto.

(l) "Ingredient or component part" means tangible personal property which is necessary or essential to, and which is actually used in and becomes an integral and material part of tangible personal property or services produced, manufactured or compounded for sale by the producer, manufacturer or compounder in its regular course of business. The following items of tangible personal property are hereby declared to be ingredients or component parts, but the listing of such property shall not be deemed to be exclusive nor shall such listing be construed to be a restriction upon, or an indication of, the type or types of property to be included within the definition of "ingredient or component part" as herein set forth:

(1) Containers, labels and shipping cases used in the distribution of property produced, manufactured or compounded for sale which are not to be returned to the producer, manufacturer or compounder for reuse.

(2) Containers, labels, shipping cases, paper bags, drinking straws, paper plates, paper cups, twine and wrapping paper used in the distribution and sale of property taxable under the provisions of this act by wholesalers and retailers and which is not to be returned to such wholesaler or retailer for reuse.

(3) Seeds and seedlings for the production of plants and plant products produced for resale.

(4) Paper and ink used in the publication of newspapers.

(5) Fertilizer used in the production of plants and plant products produced for resale.

(6) Feed for animals, fowl and aquatic plants and animals, the primary purpose of which is use in agriculture or aquaculture, as defined in K.S.A. 47-1901, and amendments thereto, the production of food for human

consumption, the production of animal, dairy, poultry or aquatic plant and animal products, fiber, fur, or the production of offspring for use for any such purpose or purposes.

(m) "Property which is consumed" means tangible personal property which is essential or necessary to and which is used in the actual process of and immediately consumed, *depleted* or dissipated *within one year* in (1) the production, manufacture, processing, mining, drilling, refining or compounding of tangible personal property, (2) the providing of services or, (3) the irrigation of crops, for sale in the regular course of business, *or (4) the storage or processing of grain by a public grain warehouse or other grain storage facility*, and which is not reusable for such purpose. The following items of tangible personal property are hereby declared to be "consumed" but the listing of such property shall not be deemed to be exclusive nor shall such listing be construed to be a restriction upon or an indication of, the type or types of property to be included within the definition of "property which is consumed" as herein set forth *is a listing of tangible personal property, included by way of illustration but not of limitation, which qualifies as property which is consumed.*

(A) Insecticides, herbicides, germicides, pesticides, fungicides, fumigants, antibiotics, biologicals, pharmaceuticals, vitamins and chemicals for use in commercial or agricultural production, processing or storage of fruit, vegetables, feeds, seeds, grains, animals or animal products whether fed, injected, applied, combined with or otherwise used; and

(B) electricity, gas and water; *and*

(C) petroleum products, lubricants, chemicals, solvents, reagents and catalysts.

(n) "Political subdivision" means any municipality, agency or subdivision of the state which is, or shall hereafter be, authorized to levy taxes upon tangible property within the state or which certifies a levy to a municipality, agency or subdivision of the state which is, or shall hereafter be, authorized to levy taxes upon tangible property within the state. Such term also shall include any public building commission, housing, airport, port, metropolitan transit or similar authority established pursuant to law.

(o) "Municipal corporation" means any city incorporated under the laws of Kansas.

(p) "Quasi-municipal corporation" means any county, township, school district, drainage district or any other governmental subdivision in the state of Kansas having authority to receive or hold moneys or funds.

(q) "Nonprofit blood bank" means any nonprofit place, organization,

institution or establishment that is operated wholly or in part for the purpose of obtaining, storing, processing, preparing for transfusing, furnishing, donating or distributing human blood or parts or fractions of single blood units or products derived from single blood units, whether or not any remuneration is paid therefor, or whether such procedures are done for direct therapeutic use or for storage for future use of such products.

(r) "Contractor, subcontractor or repairman" means a person who agrees to furnish and install tangible personal property or install tangible personal property at a specified price. A person who maintains an inventory of tangible personal property which enables such person to furnish and install the tangible personal property or install the tangible personal property shall not be deemed a contractor, subcontractor or repairman but shall be deemed a retailer.

(s) "Educational institution" means any nonprofit school, college and university that offers education at a level above the twelfth grade, and conducts regular classes and courses of study required for accreditation by, or membership in, the North Central Association of Colleges and Schools, the state board of education, or that otherwise qualify as an "educational institution," as defined by K.S.A. 74-50,103, and amendments thereto. Such phrase shall include: (1) A group of educational institutions that operates exclusively for an educational purpose; (2) nonprofit endowment associations and foundations organized and operated exclusively to receive, hold, invest and administer moneys and property as a permanent fund for the support and sole benefit of an educational institution; (3) nonprofit trusts, foundations and other entities organized and operated principally to hold and own receipts from intercollegiate sporting events and to disburse such receipts, as well as grants and gifts, in the interest of collegiate and intercollegiate athletic programs for the support and sole benefit of an educational institution; and (4) nonprofit trusts, foundations and other entities organized and operated for the primary purpose of encouraging, fostering and conducting scholarly investigations and industrial and other types of research for the support and sole benefit of an educational institution.

New Sec. 2. For the tax year commencing after December 31, 1997, there shall be allowed as a credit against the tax liability of a taxpayer imposed under the Kansas income tax act, an amount equal to 75% of the total amount of property tax levied for property tax year 1998 actually and timely paid by the taxpayer which is attributable to the working interest of an oil lease the average daily production per well from which is 15 barrels or less. For all taxable years commencing after December 31, 1998, there shall be allowed as a credit against the tax liability of a taxpayer imposed under the Kansas income tax act, an amount equal to 50% of

the total amount of property tax levied for the property tax year when the price per barrel of oil is \$16 or less, as promulgated in the oil and gas appraisal guide prescribed by the director of property valuation for the applicable tax year. The credit allowed by the preceding sentence shall apply to taxes actually and timely paid by the taxpayer which are attributable to the working interest of an oil lease the average daily production per well from which is 15 barrels or less. No credit shall be allowed for property tax paid upon machinery and equipment attributable to the working interest for which a credit is claimed pursuant to K.S.A. 1998 Supp. 79-32,206, and amendments thereto. If the amount of such tax credit exceeds the taxpayer's income tax liability for the taxable year, the amount thereof which exceeds such tax liability shall be refunded to the taxpayer. If the taxpayer is a corporation having an election in effect under subchapter S of the federal internal revenue code, a partnership or a limited liability company, the credit provided by this section shall be claimed by the shareholders of such corporation, the partners of such partnership or the members of such limited liability company in the same manner as such shareholders, partners and members account for their proportionate shares of the income or loss of the corporation, partnership or limited liability company.

Sec. 3. K.S.A. 79-201 is hereby amended to read as follows: 79-201. The following described property, to the extent herein specified, shall be and is hereby exempt from all property or ad valorem taxes levied under the laws of the state of Kansas:

First. All buildings used exclusively as places of public worship and all buildings used exclusively by school districts and school district interlocal cooperatives organized under the laws of this state, with the furniture and books therein contained and used exclusively for the accommodation of religious meetings or for school district or school district interlocal cooperative purposes, whichever is applicable, together with the grounds owned thereby if not leased or otherwise used for the realization of profit, except that: (a) (1) Any school building, or portion thereof, together with the grounds upon which the building is located, shall be considered to be used exclusively by the school district for the purposes of this section when leased by the school district to any political or taxing subdivision of the state, including a school district interlocal cooperative, or to any association, organization or nonprofit corporation entitled to tax exemption with respect to such property; and (2) any school building, together with the grounds upon which the building is located, shall be considered to be used exclusively by a school district interlocal cooperative for the purposes of this section when being acquired pursuant to a lease-purchase agreement; and (b) any building, or portion thereof, used as a place of worship, together with the grounds upon which the building is located, shall be considered to be used exclusively for the religious purposes of this section

when used as a not-for-profit day care center for children which is licensed pursuant to K.S.A. 65-501 *et seq.*, and amendments thereto, or when used to house an area where the congregation of a church society and others may purchase tracts, books and other items relating to the promulgation of the church society's religious doctrines.

Second. All real property, and all tangible personal property, actually and regularly used exclusively for literary, educational, scientific, religious, benevolent or charitable purposes, including property used exclusively for such purposes by more than one agency or organization for one or more of such exempt purposes. Except with regard to real property which is owned by a religious organization, is to be used exclusively for religious purposes and is not used for a nonexempt purpose prior to its exclusive use for religious purposes which property shall be deemed to be actually and regularly used exclusively for religious purposes for the purposes of this paragraph, this exemption shall not apply to such property, not actually used or occupied for the purposes set forth herein, nor to such property held or used as an investment even though the income or rentals received therefrom is used wholly for such literary, educational, scientific, religious, benevolent or charitable purposes. In the event any such property which has been exempted pursuant to the preceding sentence is not used for religious purposes prior to its conveyance which results in its use for nonreligious purposes, there shall be a recoupment of property taxes in an amount equal to the tax which would have been levied upon such property except for such exemption for all taxable years for which such exemption was in effect. Such recoupment tax shall become due and payable in such year as provided by K.S.A. 79-2004, and amendments thereto. A lien for such taxes shall attach to the real property subject to the same on November 1 in the year such taxes become due and all such taxes remaining due and unpaid after the date prescribed for the payment thereof shall be collected in the manner provided by law for the collection of delinquent taxes. Moneys collected from the recoupment tax hereunder shall be credited by the county treasurer to the several taxing subdivisions within which such real property is located in the proportion that the total tangible property tax levies made in the preceding year for each such taxing subdivision bear to the total of all such levies made in that year by all such taxing subdivisions. Such moneys shall be credited to the general fund of the taxing subdivision or if such taxing subdivision is making no property tax levy for the support of a general fund such moneys may be credited to any other tangible property tax fund of general application of such subdivision. This exemption shall not be deemed inapplicable to property which would otherwise be exempt pursuant to this paragraph because an agency or organization: (a) is reimbursed for the provision of services accomplishing the purposes enumerated in this paragraph based upon the ability to pay by the recipient of such services; or (b) is reimbursed for the actual expense of using such

property for purposes enumerated in this paragraph; or (c) uses such property for a nonexempt purpose which is minimal in scope and insubstantial in nature if such use is incidental to the exempt purposes of this paragraph; or (d) charges a reasonable fee for admission to cultural or educational activities or permits the use of its property for such activities by a related agency or organization, if any such activity is in furtherance of the purposes of this paragraph.

Third. All moneys and credits belonging exclusively to universities, colleges, academies or other public schools of any kind, or to religious, literary, scientific or benevolent and charitable institutions or associations, appropriated solely to sustain such institutions or associations, not exceeding in amount or in income arising therefrom the limit prescribed by the charter of such institution or association.

Fourth. The reserve or emergency funds of fraternal benefit societies authorized to do business under the laws of the state of Kansas.

Fifth. All buildings of private nonprofit universities or colleges which are owned and operated by such universities and colleges as student union buildings, presidents' homes and student dormitories.

Sixth. All real and tangible personal property actually and regularly used exclusively by the alumni association associated by its articles of incorporation with any public or nonprofit Kansas college or university approved by the Kansas board of regents to confer academic degrees or with any community college approved by its board of trustees to grant certificates of completion of courses or curriculum, to provide accommodations and services to such college or university or to the alumni, staff or faculty thereof.

Seventh. All parsonages owned by a church society and actually and regularly occupied and used predominantly as a residence by a minister or other clergyman of such church society who is actually and regularly engaged in conducting the services and religious ministrations of such society, and the land upon which such parsonage is located to the extent necessary for the accommodation of such parsonage.

Eighth. All real property, all buildings located on such property and all personal property contained therein, actually and regularly used exclusively by any individually chartered organization of honorably discharged military veterans of the United States armed forces or auxiliary of any such organization, which is exempt from federal income taxation pursuant to section 501(c)(19) of the federal internal revenue code of 1986, for clubhouse, place of meeting or memorial hall purposes, and real property to the extent of not more than two acres, and all buildings located on such property, actually and regularly used exclusively by any such veter-

ans' organization or its auxiliary as a memorial park.

Ninth. All real property and tangible personal property actually and regularly used by a community service organization for the predominant purpose of providing humanitarian services, which is owned and operated by a corporation organized not for profit under the laws of the state of Kansas or by a corporation organized not for profit under the laws of another state and duly admitted to engage in business in this state as a foreign not-for-profit corporation if: (a) The directors of such corporation serve without pay for such services; (b) the corporation is operated in a manner which does not result in the accrual of distributable profits, realization of private gain resulting from the payment of compensation in excess of a reasonable allowance for salary or other compensation for services rendered or the realization of any other form of private gain; (c) no officer, director or member of such corporation has any pecuniary interest in the property for which exemption is claimed; (d) the corporation is organized for the purpose of providing humanitarian services; (e) the actual use of property for which an exemption is claimed must be substantially and predominantly related to the purpose of providing humanitarian services, except that, the use of such property for a nonexempt purpose which is minimal in scope and insubstantial in nature shall not result in the loss of exemption if such use is incidental to the purpose of providing humanitarian services by the corporation; (f) the corporation is exempt from federal income taxation pursuant to section 501(c)(3) of the internal revenue code of 1986 and; (g) contributions to the corporation are deductible under the Kansas income tax act. As used in this clause, "humanitarian services" means the conduct of activities which substantially and predominantly meet a demonstrated community need and which improve the physical, mental, social, cultural or spiritual welfare of others or the relief, comfort or assistance of persons in distress or any combination thereof including but not limited to health and recreation services, child care, individual and family counseling, employment and training programs for handicapped persons and meals or feeding programs. Notwithstanding any other provision of this clause, motor vehicles shall not be exempt hereunder unless such vehicles are exclusively used for the purposes described therein.

Tenth. For all taxable years commencing after December 31, 1986, any building, and the land upon which such building is located to the extent necessary for the accommodation of such building, owned by a church or nonprofit religious society or order which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986, and actually and regularly occupied and used exclusively for residential and religious purposes by a community of persons who are bound by vows to a religious life and who conduct or assist in the conduct of religious services and actually and regularly engage in religious, be-

nevolent, charitable or educational ministrations or the performance of health care services.

Eleventh. For all taxable years commencing after December 31, 1998, all real property upon which is located facilities which utilize renewable energy resources or technologies for the purpose and as the primary means to produce and generate electricity and which is used predominantly for such purpose, to the extent necessary to accommodate such facilities, and all tangible personal property which comprises such facilities. For purposes of this section, "renewable energy resources or technologies" shall include wind, solar, thermal, photovoltaic, biomass, hydropower, geothermal and landfill gas resources or technologies. For purposes of valuation of property subject to valuation under K.S.A. 79-5a01 et seq., and amendments thereto, the value of the exempt property set forth in this clause shall be removed from the unit value prior to apportionment under K.S.A. 79-5a25, and amendments thereto.

The provisions of this section, except as otherwise more specifically provided, shall apply to all taxable years commencing after December 31, 1995.

Sec. 4. K.S.A. 79-5a01 is hereby amended to read as follows: 79-5a01. (a) As used in this act, the terms "public utility" or "public utilities" shall mean every individual, company, corporation, association of persons, lessees or receivers that now or hereafter are in control, manage or operate a business of:

- (1) A railroad or railroad corporation if such railroad or railroad corporation owns or holds, by deed or other instrument, an interest in right-of-way, track, franchise, roadbed or trackage in this state;
- (2) transmitting to, from, through or in this state telegraphic messages;
- (3) transmitting to, from, through or in this state telephonic messages;
- (4) transporting or distributing to, from, through or in this state natural gas, oil or other commodities in pipes or pipelines, or engaging primarily in the business of storing natural gas in an underground formation;
- (5) generating, conducting or distributing to, from, through or in this state electric power, *except for private use*;
- (6) transmitting to, from, through or in this state water if for profit or subject to regulation of the state corporation commission;
- (7) transporting to, from, through or in this state cargo or passengers

by means of any vessel or boat used in navigating any of the navigable watercourses within or bordering upon this state.

(b) The terms "public utility" or "public utilities" shall not include:

(1) Rural water districts established under the laws of the state of Kansas; or (2) any individual, company, corporation, association of persons, lessee or receiver owning or operating an oil or natural gas production gathering line which is situated within one county in this state and does not cross any state boundary line; or (3) any individual, company, corporation, association of persons, lessee or receiver owning any vessel or boat operated upon the surface of any manmade waterway located entirely within one county in the state.

Sec. 5. K.S.A. 79-32,201 is hereby amended to read as follows: 79-32,201. (a) Any taxpayer who makes expenditures for ~~a~~ qualified alternative-fueled motor vehicle ~~property or alternative-fuel fueling station~~ shall be allowed a credit against the income tax imposed by article 32 of chapter 79 of the Kansas Statutes Annotated, as follows:

(1) For any qualified alternative-fueled motor vehicle ~~property~~ placed in service on or after January 1, 1996, and before January 1, ~~1999~~ **2005**, an amount equal to 50% of the ~~total amount expended~~ **incremental cost or conversion cost** for each qualified alternative-fueled motor vehicle ~~property~~ but not to exceed ~~\$2,500~~ **\$3,000** for each such motor vehicle **with a gross vehicle weight of less than 10,000 lbs.; \$5,000 for a heavy duty motor vehicle with a gross vehicle weight of greater than 10,000 lbs. but less than 26,000 lbs.; and \$50,000 for motor vehicles having a gross vehicle weight of greater than 26,000 lbs.;**

(2) for any qualified alternative-fueled motor vehicle ~~property~~ placed in service on or after January 1, ~~1999~~ **2005**, an amount equal to 40% of the ~~total amount expended~~ **incremental cost or conversion cost** for each qualified alternative-fueled motor vehicle ~~property~~, but not to exceed ~~\$2,000~~ **\$2,400** for each such motor vehicle **with a gross vehicle weight of less than 10,000 lbs.; \$4,000 for a heavy duty motor vehicle with a gross vehicle weight of greater than 10,000 lbs. but less than 26,000 lbs.; and \$40,000 for motor vehicles having a gross vehicle weight of greater than 26,000 lbs.;**

(3) **for any qualified alternative-fuel fueling station placed in service on or after January 1, 1996, and before January 1, 2005, an amount equal to 50% of the total amount expended for each qualified alternative-fuel fueling station but not to exceed \$200,000 for each fueling station;**

(4) **for any qualified alternative-fuel fueling station placed in service on or after January 1, 2005, an amount equal to 40% of the total amount expended for each qualified alternative-fuel fueling station, but not to**

exceed \$160,000 for each fueling station.

(b) If no credit has been claimed pursuant to subsection (a), a credit in an amount not exceeding the lesser of 5% of the cost of the vehicle or \$750 shall be allowed to a taxpayer who purchases a motor vehicle equipped by the vehicle manufacturer with ~~qualified alternative-fueled motor vehicle property~~ *an alternative fuel system* and who is unable or elects not to determine the exact basis attributable to such property. The credit under this subsection shall be allowed only to the first individual to take title to such motor vehicle, other than for resale.

(c) The tax credit under subsection (a) or (b) shall be deducted from the taxpayer's income tax liability for the taxable year in which the expenditures are made by the taxpayer. If the amount of the tax credit exceeds the taxpayer's income tax liability for the taxable year, the amount which exceeds the tax liability may be carried over for deduction from the taxpayer's income tax liability in the next succeeding taxable year or years until the total amount of the tax credit has been deducted from tax liability, except that no such tax credit shall be carried over for deduction after the third taxable year succeeding the taxable year in which the expenditures are made.

(d) As used in this section:

(1) "Alternative fuel" has the meaning provided by 42 U.S.C. 13211.

(2) "~~Qualified alternative-fueled motor vehicle property~~" means:-

—~~(A) Equipment installed to modify a motor vehicle which is propelled by gasoline so that the vehicle may be propelled by an alternative fuel;~~

—~~(B) a motor vehicle originally equipped to be propelled only by an alternative fuel, but only to the extent of the portion of the basis of such motor vehicle which is attributable to the storage of such fuel, the delivery to the engine of such motor vehicle of such fuel and the exhaust of gases from combustion of such fuel; or~~

—~~(C) property which is directly related to the delivery of an alternative fuel into the fuel tank of a motor vehicle propelled by such fuel, including compression equipment and storage tanks for such fuel at the point where such fuel is so delivered but only if such property is not used to deliver such fuel into any other type of storage tank or receptacle and such fuel is not used for any purpose other than to propel a motor vehicle.~~

(2) "Qualified alternative-fueled motor vehicle" means a motor vehicle that operates on an alternative fuel, meets or exceeds the clean fuel vehicle standards in the federal clean air act amendments of 1990, Title

It and meets one of the following categories:

(A) Bi-fuel motor vehicle: A motor vehicle with two separate fuel systems designed to run on either an alternative fuel or conventional fuel, using only one fuel at a time;

(B) dedicated motor vehicle: A motor vehicle with an engine designed to operate on a single alternative fuel only; or

(C) flexible fuel motor vehicle: A motor vehicle that may operate on a blend of an alternative fuel with a conventional fuel, such as E-85 (85% ethanol and 15% gasoline) or M-85 (85% methanol and 15% gasoline), as long as such motor vehicle is capable of operating on at least an 85% alternative fuel blend.

(3) "Qualified alternative-fuel fueling station" means the property which is directly related to the delivery of alternative fuel into the fuel tank of a motor vehicle propelled by such fuel, including the compression equipment, storage vessels and dispensers for such fuel at the point where such fuel is delivered but only if such property is primarily used to deliver such fuel for use in a qualified alternative-fueled motor vehicle.

(4) "Incremental cost" means the cost that results from subtracting the manufacturer's list price of the motor vehicle operating on conventional gasoline or diesel fuel from the manufacturer's list price of the same model motor vehicle designed to operate on an alternative fuel.

(5) "Conversion cost" means the cost that results from modifying a motor vehicle which is propelled by gasoline or diesel to be propelled by an alternative fuel.

~~(3)~~ *(6) "Taxpayer" means any person who owns and operates a fleet of 10 or more motor vehicles and the average fuel consumption for such fleet of motor vehicles is equal to or greater than 2,000 gallons per year qualified alternative-fueled vehicle licensed in the state of Kansas or who makes an expenditure for a qualified alternative-fuel fueling station.*

~~(4)~~ *(7) "Person" means every natural person, association, partnership, limited liability company, limited partnership or corporation.*

(e) The provisions of this section shall apply to all taxable years commencing after December 31, 1995.

(f) The provisions of this section shall become effective on and after January 1, 1996.

Sec. 6. K.S.A. 1998 Supp. 79-3606 is hereby amended to read as

follows: 79-3606. The following shall be exempt from the tax imposed by this act:

(a) All sales of motor-vehicle fuel or other articles upon which a sales or excise tax has been paid, not subject to refund, under the laws of this state except cigarettes as defined by K.S.A. 79-3301 and amendments thereto, cereal malt beverages and malt products as defined by K.S.A. 79-3817 and amendments thereto, including wort, liquid malt, malt syrup and malt extract, which is not subject to taxation under the provisions of K.S.A. 79-41a02 and amendments thereto, motor vehicles taxed pursuant to K.S.A. 79-5117, and amendments thereto, tires taxed pursuant to K.S.A. 1998 Supp. 65-3424d, and amendments thereto, and drycleaning and laundry services taxed pursuant to K.S.A. 1998 Supp. 65-34,150, and amendments thereto;

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

(c) all sales of tangible personal property or services, including the renting and leasing of tangible personal property, purchased directly by a public or private elementary or secondary school or public or private nonprofit educational institution and used primarily by such school or institution for nonsectarian programs and activities provided or sponsored by such school or institution or in the erection, repair or enlargement of buildings to be used for such purposes. The exemption herein provided shall not apply to erection, construction, repair, enlargement or equipment of buildings used primarily for human habitation;

(d) all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any public or private nonprofit hospital or public hospital authority, public or private elementary or secondary school or a public or private nonprofit educational institution, which would be exempt from taxation under the provisions of this act if purchased directly by such hospital or public hos-

pital authority, school or educational institution; and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any political subdivision of the state, the total cost of which is paid from funds of such political subdivision and which would be exempt from taxation under the provisions of this act if purchased directly by such political subdivision. Nothing in this subsection or in the provisions of K.S.A. 12-3418 and amendments thereto, shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any political subdivision of the state. As used in this subsection, K.S.A. 12-3418 and 79-3640, and amendments thereto, "funds of a political subdivision" shall mean general tax revenues, the proceeds of any bonds and gifts or grants-in-aid. Gifts shall not mean funds used for the purpose of constructing, equipping, reconstructing, repairing, enlarging, furnishing or remodeling facilities which are to be leased to the donor. When any political subdivision of the state, public or private nonprofit hospital or public hospital authority, public or private elementary or secondary school or public or private nonprofit educational institution shall contract for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to the political subdivision, hospital or public hospital authority, school or educational institution concerned a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. As an alternative to the foregoing procedure, any such contracting entity may apply to the secretary of revenue for agent status for the sole purpose of issuing and furnishing project exemption certificates to contractors pursuant to rules and regulations adopted by the secretary establishing conditions and standards for the granting and maintaining of such status. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials which will not be so incorporated in the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such

certificate was issued, the political subdivision, hospital or public hospital authority, school or educational institution concerned shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in subsection (g) of K.S.A. 79-3615, and amendments thereto;

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

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

commerce;

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

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

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

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

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

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

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

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

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

(p) all sales of drugs, as defined by K.S.A. 65-1626 and amendments thereto, dispensed pursuant to a prescription order, as defined by K.S.A. 65-1626 and amendments thereto, by a licensed practitioner;

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

(r) all sales of prosthetic and orthopedic appliances prescribed in writing by a person licensed to practice the healing arts, dentistry or optometry. For the purposes of this subsection, the term prosthetic and orthopedic appliances means any apparatus, instrument, device, or equipment used to replace or substitute for any missing part of the body; used to alleviate the malfunction of any part of the body; or used to assist any disabled person in leading a normal life by facilitating such person's mobility; such term shall include accessories attached or to be attached to motor vehicles, but such term shall not include motor vehicles or personal property which when installed becomes a fixture to real property;

(s) all sales of tangible personal property or services purchased directly by a groundwater management district organized or operating under the authority of K.S.A. 82a-1020 *et seq.* and amendments thereto, which property or services are used in the operation or maintenance of the district;

(t) all sales of farm machinery and equipment or aquaculture machinery and equipment, repair and replacement parts therefor and services performed in the repair and maintenance of such machinery and equipment. For the purposes of this subsection the term "farm machinery

and equipment or aquaculture machinery and equipment" shall include machinery and equipment used in the operation of Christmas tree farming but shall not include any passenger vehicle, truck, truck tractor, trailer, semitrailer or pole trailer, other than a farm trailer, as such terms are defined by K.S.A. 8-126 and amendments thereto. Each purchaser of farm machinery and equipment or aquaculture machinery and equipment exempted herein must certify in writing on the copy of the invoice or sales ticket to be retained by the seller that the farm machinery and equipment or aquaculture machinery and equipment purchased will be used only in farming, ranching or aquaculture production. Farming or ranching shall include the operation of a feedlot and farm and ranch work for hire and the operation of a nursery;

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

(v) all sales of food products to any contractor for use in preparing meals for delivery to homebound elderly persons over 60 years of age and to homebound disabled persons or to be served at a group-sitting at a location outside of the home to otherwise homebound elderly persons over 60 years of age and to otherwise homebound disabled persons, as all or part of any food service project funded in whole or in part by government or as part of a private nonprofit food service project available to all such elderly or disabled persons residing within an area of service designated by the private nonprofit organization, and all sales of food products for use in preparing meals for consumption by indigent or homeless individuals whether or not such meals are consumed at a place designated for such purpose;

(w) all sales of natural gas, electricity, heat and water delivered through mains, lines or pipes: (1) To residential premises for noncommercial use by the occupant of such premises; (2) for agricultural use and also, for such use, all sales of propane gas; (3) for use in the severing of oil; and (4) to any property which is exempt from property taxation pursuant to K.S.A. 79-201b *Second* through *Sixth*. As used in this paragraph, "severing" shall have the meaning ascribed thereto by subsection (k) of K.S.A. 79-4216, and amendments thereto;

(x) all sales of propane gas, LP-gas, coal, wood and other fuel sources for the production of heat or lighting for noncommercial use of an occupant of residential premises;

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

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

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

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

(cc) all sales of tangible personal property or services purchased for the purpose of and in conjunction with constructing, reconstructing, enlarging or remodeling a business or retail business which meets the requirements established in K.S.A. 74-50,115 and amendments thereto, and the sale and installation of machinery and equipment purchased for installation at any such business or retail business. When a person shall contract for the construction, reconstruction, enlargement or remodeling of any such business or retail business, such person shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials, machinery and equipment for incorporation in such project. The contractor shall furnish the number of such certificates to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to the owner of the business or retail business a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials, machinery or equipment purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed thereon, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in subsection (g) of K.S.A. 79-3615 and amendments thereto. As used in this subsection, "business" and "retail business" have the meanings respectively ascribed thereto by K.S.A. 74-50,114 and amendments thereto;

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

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

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

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

(hh) all sales of medical supplies and equipment purchased directly by a nonprofit skilled nursing home or nonprofit intermediate nursing care home, as defined by K.S.A. 39-923, and amendments thereto, for the purpose of providing medical services to residents thereof. This exemption shall not apply to tangible personal property customarily used for human habitation purposes;

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

(jj) all sales of tangible personal property or services, including the renting and leasing of tangible personal property, purchased directly on behalf of a community-based mental retardation facility or mental health center organized pursuant to K.S.A. 19-4001 *et seq.*, and amendments thereto, and licensed in accordance with the provisions of K.S.A. 75-3307b and amendments thereto. This exemption shall not apply to tangible personal property customarily used for human habitation purposes;

(kk) on and after January 1, 1989, all sales of machinery and equipment used directly and primarily for the purposes of manufacturing, assembling, processing, finishing, storing, warehousing or distributing articles of tangible personal property in this state intended for resale by a manufacturing or processing plant or facility or a storage, warehousing or distribution facility, and all sales of repair and replacement parts and accessories purchased for such machinery and equipment;

(1) For purposes of this subsection, machinery and equipment shall be deemed to be used directly and primarily in the manufacture, assemblage, processing, finishing, storing, warehousing or distributing of tangible personal property where such machinery and equipment is used during a manufacturing, assembling, processing or finishing, storing, warehousing or distributing operation:

(A) To effect a direct and immediate physical change upon the tangible personal property;

(B) to guide or measure a direct and immediate physical change upon such property where such function is an integral and essential part of tuning, verifying or aligning the component parts of such property;

(C) to test or measure such property where such function is an integral part of the production flow or function;

(D) to transport, convey or handle such property during the manufacturing, processing, storing, warehousing or distribution operation at the plant or facility; or

(E) to place such property in the container, package or wrapping in which such property is normally sold or transported.

(2) For purposes of this subsection "machinery and equipment used directly and primarily" shall include, but not be limited to:

(A) Mechanical machines or components thereof contributing to a manufacturing, assembling or finishing process;

(B) molds and dies that determine the physical characteristics of the finished product or its packaging material;

(C) testing equipment to determine the quality of the finished product;

(D) computers and related peripheral equipment that directly control or measure the manufacturing process or which are utilized for engineering of the finished product; and

(E) computers and related peripheral equipment utilized for research and development and product design.

(3) "Machinery and equipment used directly and primarily" shall not include:

(A) Hand tools;

(B) machinery, equipment and tools used in maintaining and repairing any type of machinery and equipment;

(C) transportation equipment not used in the manufacturing, assembling, processing, furnishing, storing, warehousing or distributing process at the plant or facility;

(D) office machines and equipment including computers and related peripheral equipment not directly and primarily used in controlling or measuring the manufacturing process;

(E) furniture and buildings; and

(F) machinery and equipment used in administrative, accounting, sales or other such activities of the business;

(4) for purposes of this subsection, "repair and replacement parts and accessories" means all parts and accessories for exempt machinery and equipment, including but not limited to dies, jigs, molds, and patterns which are attached to exempt machinery or which are otherwise used in production, short-lived replaceable parts that can be readily detached from exempt machinery or equipment, such as belts, drill bits, grinding wheels, cutting bars and saws, and other replacement parts for production equipment, including refractory brick and other refractory items for kiln equipment used in production operations;

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

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

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

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

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

(qq) all sales of tangible personal property and services purchased by

a nonprofit museum or historical society or any combination thereof, including a nonprofit organization which is organized for the purpose of stimulating public interest in the exploration of space by providing educational information, exhibits and experiences, which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986;

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

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

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

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

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

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

(2) the Kansas Alliance for the Mentally Ill, Inc. for the purpose of advocacy for persons with mental illness and to education, research and support for their families;

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

(4) the American Diabetes Association Kansas Affiliate, Inc. for the purpose of eliminating diabetes through medical research, public edu-

cation focusing on disease prevention and education, patient education including information on coping with diabetes, and professional education and training;

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

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

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

(xx) all sales of tangible personal property and services purchased by a nonprofit zoo which is exempt from federal income taxation pursuant to section 501 (c)(3) of the federal internal revenue code of 1986, or on behalf of such zoo by an entity itself exempt from federal income taxation pursuant to section ~~50~~ **501** (c)(3) of the federal internal revenue code of 1986 contracted with to operate such zoo and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any nonprofit zoo which would be exempt from taxation under the provisions of this section if purchased directly by such nonprofit zoo or the entity operating such zoo. Nothing in this subsection shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any nonprofit zoo. When any nonprofit zoo shall contract for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to the nonprofit zoo concerned a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certifi-

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

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

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

(aaa) all sales of tangible personal property and services purchased by a religious organization which is exempt from federal income taxation pursuant to section 501 (c)(3) of the federal internal revenue code, and used exclusively for religious purposes, *and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any such organization which would be exempt from taxation under the provisions of this section if purchased directly by such organization. Nothing in this subsection shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any such organization. When any such organization shall contract for the purpose of con-*

structing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to such organization concerned a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials which will not be so incorporated in the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, such organization concerned shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in subsection (g) of K.S.A. 79-3615, and amendments thereto. Sales tax paid on and after July 1, 1998, but prior to the effective date of this act upon the gross receipts received from any sale exempted by the amendatory provisions of this subsection shall be refunded. Each claim for a sales tax refund shall be verified and submitted to the director of taxation upon forms furnished by the director and shall be accompanied by any additional documentation required by the director. The director shall review each claim and shall refund that amount of sales tax paid as determined under the provisions of this subsection. All refunds shall be paid from the sales tax refund fund upon warrants of the director of accounts and reports pursuant to vouchers approved by the director or the director's designee; and

(bbb) all sales of food for human consumption by an organization which is exempt from federal income taxation pursuant to section 501 (c)(3) of the federal internal revenue code of 1986, pursuant to a food distribution program which offers such food at a price below cost in

exchange for the performance of community service by the purchaser thereof.;

(ccc) on and after July 1, 1999, all sales of tangible personal property and services purchased by a primary care clinic or health center the primary purpose of which is to provide services to medically underserved individuals and families, and which is exempt from federal income taxation pursuant to section 501 (c)(3) of the federal internal revenue code, and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any such clinic or center which would be exempt from taxation under the provisions of this section if purchased directly by such clinic or center. Nothing in this subsection shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any such clinic or center. When any such clinic or center shall contract for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to such clinic or center concerned a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials which will not be so incorporated in the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, such clinic or center concerned shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty

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

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

(eee) on and after January 1, 1999, and before January 1, 2000, all sales of materials and services purchased for the original construction, reconstruction, repair or replacement of grain storage facilities, including railroad sidings providing access thereto.

Sec. 7. K.S.A. 1998 Supp. 79-32,195 is hereby amended to read as follows: 79-32,195. As used in this act, the following words and phrases shall have the meanings ascribed to them herein: (a) "Business firm" means any business entity authorized to do business in the state of Kansas which is subject to the state income tax imposed by the provisions of the Kansas income tax act, any national banking association, state bank, trust company or savings and loan association paying an annual tax on its net income pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, or any insurance company paying the premium tax and privilege fees imposed pursuant to K.S.A. 40-252, and amendments thereto;

(b) "community services" means:

(1) The conduct of activities which meet a demonstrated community need and which are designed to achieve improved educational and social services for Kansas children and their families, and which are coordinated with communities *including, but not limited to, social and human services organizations that address the causes of poverty through programs and services that assist low income persons in the areas of employment, food, housing, emergency assistance and health care;*

(2) crime prevention; and

(3) health care services.

(c) "crime prevention" means any nongovernmental activity which

aids in the prevention of crime in an impoverished area.

(d) "community service organization" means any organization performing community services in Kansas and which:

(1) Has obtained a ruling from the internal revenue service of the United States department of the treasury that such organization is exempt from income taxation under the provisions of section 501(c)(3) of the federal internal revenue code; or

(2) is incorporated in the state of Kansas or another state as a non-stock, nonprofit corporation; or

(3) has been designated as a community development corporation by the United States government under the provisions of title VII of the economic opportunity act of 1964; or

(4) is chartered by the United States congress.

(e) "contributions" shall mean and include the donation of cash, services or property other than used clothing. Stocks and bonds contributed shall be valued at the stock market price on the date of transfer. Services contributed shall be valued at the standard billing rate for not-for-profit clients. Personal property items contributed shall be valued at the lesser of its fair market value or cost to the donor and may be inclusive of costs incurred in making the contribution, but shall not include sales tax. Contributions of real estate are allowable for credit only when title thereto is in fee simple absolute and is clear of any encumbrances. The amount of credit allowable shall be based upon the lesser of two current independent appraisals conducted by state licensed appraisers.

~~(e)~~ (f) "health care services" shall include, but not be limited to, the following: Services provided by local health departments, city, county or district hospitals, city or county nursing homes, or other residential institutions, preventive health care services offered by a community service organization including immunizations, prenatal care, the postponement of entry into nursing homes by home health care services, and community based services for persons with a disability, mental health services, indigent health care, physician or health care worker recruitment, health education, emergency medical services, services provided by rural health clinics, integration of health care services, home health services and services provided by rural health networks.

~~(f)~~ (g) "rural community" means any city having a population of fewer than 15,000 located in a county that is not part of a standard metropolitan statistical area as defined by the United States department of commerce or its successor agency. However, any such city located in a county de-

fined as a standard metropolitan statistical area shall be deemed a rural community if a substantial number of persons in such county derive their income from agriculture and, in any county where there is only one city within the county which has a population of more than 15,000 and which classifies as a standard metropolitan statistical area, all other cities in that county having a population of less than 15,000 shall be deemed a rural community.

New Sec. 8. Any business firm or business entity not subject to Kansas income, privilege or premiums tax, hereinafter designated the assignor, may sell, assign, convey or otherwise transfer tax credits allowed and earned pursuant to K.S.A. 79-32,196, and amendments thereto. Such credits shall be deemed to be allowed and earned by any such business entity which is only disqualified therefrom by reason of not being subject to such Kansas taxes. The business firm acquiring earned credits, hereinafter designated the assignee, may use the amount of the acquired credits to offset up to 100% of its income, privilege or premiums tax liability for the taxable year in which such acquisition was made. Only the full credit amount for any one contribution may be transferred and such credit may be transferred one time. Unused credit amounts claimed by the assignee may be carried forward for up to five years, except that all such amounts shall be claimed within 10 years following the tax year in which the contribution was made. The assignor shall enter into a written agreement with the assignee establishing the terms and conditions of the agreement and shall perfect such transfer by notifying the director of community development of the department of commerce and housing in writing within 30 calendar days following the effective date of the transfer and shall provide any information as may be required by the director of community development of the department of commerce and housing to administer and carry out the provisions of this section. The amount received by the assignor of such tax credit shall be taxable as income of the assignor, and the excess of the value of such credit over the amount paid by the assignee for such credit shall be taxable as income of the assignee.

Sec. 9. K.S.A. 79-32,197 is hereby amended to read as follows: 79-32,197. The amount of credit allowed pursuant to K.S.A. 79-32,196, **and amendments thereto**, shall not exceed 50% of the total amount contributed during the taxable year by the business firm to a community service organization or governmental entity for programs approved pursuant to K.S.A. 79-32,198, **and amendments thereto**. The amount of credit allowed pursuant to K.S.A. 79-32,196, **and amendments thereto**, shall not exceed 70% of the total amount contributed during the taxable year by the business firm in a rural community to a community service organization or governmental entity located therein for programs approved pursuant to K.S.A. 79-32,198, **and amendments thereto**. ~~Any tax credit not used for the taxable year the contribution was made may be carried over to any~~

succeeding taxable year until the total amount of the credit is used. *If the amount of the credit allowed by K.S.A. 1998 Supp. 79-32,196, and amendments thereto, exceeds the taxpayer's income tax liability imposed under the Kansas income tax act, such excess amount shall be refunded to the taxpayer.* In no event shall the total amount of credits allowed under this section exceed \$5,000,000 for any one fiscal year.

New Sec. 10. The provisions of sections 7 through 9 of this act shall be applicable to all taxable years commencing after December 31, 1998.

New Sec. 11. The legislature hereby declares that the availability of improved access to and choice of higher education opportunities in this state will benefit the residents of the state and that the establishment of a postsecondary education savings program will assist residents in meeting the expenses incurred in availing themselves of higher education opportunities. Therefore, it is the intention of sections 11 to 19, and amendments thereto, to provide for development and administration of a postsecondary education savings program and to vest the state treasurer with powers to enable the treasurer to accomplish such purpose.

New Sec. 12. There is hereby established a postsecondary education savings program and such program shall be known and may be cited as the Kansas postsecondary education savings program. The program shall be implemented and become operational on July 1, 2000.

New Sec. 13. The purpose of the Kansas postsecondary education savings program is to authorize the establishment of family postsecondary education savings accounts and to provide guidelines for the maintenance of such accounts to:

(a) Enable residents of this state and other states to benefit from the tax incentive provided for qualified state tuition programs as defined in section 529 of the federal internal revenue code of 1986, as amended; and

(b) attract residents of this state to institutions of postsecondary education.

New Sec. 14. As used in sections 11 to 19, and amendments thereto:

(a) "Account" or "family postsecondary education savings account" means an individual savings account established in accordance with the provisions of sections 11 to 19, and amendments thereto.

(b) "Account owner" means the individual or individuals who enter into a postsecondary education savings agreement pursuant to the provisions of sections 11 to 19, and amendments thereto. If the account is

owned by one individual, the account owner may also be the designated beneficiary of the account.

(c) "Designated beneficiary" means, with respect to an account, the individual designated at the time the account is established as the individual whose higher education expenses are expected to be paid from the account or in the case of a change in beneficiaries, the individual who is the new beneficiary.

(d) "Financial organization" means an organization authorized to do business in the state of Kansas and (1) which is an authorized fiduciary to act as a trustee pursuant to the provisions of the federal employee retirement income security act of 1974, an insurance company, or a registered investment advisor; and (2) (A) is licensed or chartered by the commissioner of insurance, (B) is licensed or chartered by the state bank commissioner, (C) is chartered by an agency of the federal government, (D) is subject to the jurisdiction and regulation of the securities and exchange commission of the federal government, or (E) is any other entity otherwise authorized to act in this state as a trustee pursuant to the provisions of the federal employee retirement income security act of 1974.

(e) "Institution of postsecondary education" means any institution of postsecondary education which is accredited by a nationally recognized accrediting agency or association, offers credit toward an undergraduate or graduate degree or other recognized postsecondary education credential, and qualifies as an eligible institution for federal student aid programs.

(f) "Member of the family" has the meaning ascribed thereto in section 529 of the federal internal revenue code of 1986, as amended.

(g) "Program" means the Kansas postsecondary education savings program established pursuant to sections 11 to 19, and amendments thereto.

(h) "Qualified higher education expenses" means any qualified higher education expense included in section 529 of the federal internal revenue code of 1986, as amended.

(i) "Qualified withdrawal" means a withdrawal from an account to pay the qualified higher education expenses of the designated beneficiary of the account.

(j) "Nonqualified withdrawal" means a withdrawal from an account but does not mean:

(1) A qualified withdrawal;

(2) a withdrawal made as the result of the death or disability of the designated beneficiary of an account; or

(3) a withdrawal made on the account of a scholarship received by the designated beneficiary to the extent the amount of the withdrawal does not exceed the amount of the scholarship.

(k) "Treasurer" means the state treasurer.

(l) "Management contract" means the contract executed by the treasurer and a financial organization selected to act as a depository and manager of the program.

(m) "Postsecondary education savings agreement" means an agreement between the state treasurer and the account owner or owners.

(n) "Program manager" means a financial organization selected by the treasurer to act as a depository and manager of the program.

New Sec. 15. (a) The state treasurer shall implement and administer the program under the terms and conditions established by sections 11 to 19, and amendments thereto.

(b) In furtherance of such implementation and administration, the state treasurer shall have the authority and responsibility to:

(1) Develop and implement the program in a manner consistent with the provisions of sections 11 to 19, and amendments thereto through adoption of rules and regulations;

(2) engage the services of consultants on a contract basis for rendering professional and technical assistance and advice;

(3) seek rulings and other guidance from the United States department of treasury and the federal internal revenue service relating to the program;

(4) make changes to the program required for the participants in the program to obtain the federal income tax benefits or treatment provided by section 529 of the federal internal revenue code of 1986, as amended, or any similar successor legislation;

(5) charge, impose and collect administrative fees and service charges in connection with any agreement, contract or transaction relating to the program;

(6) develop marketing plans and promotion material;

(7) establish the methods by which the funds held in accounts shall be dispersed;

(8) establish the method by which funds shall be allocated to pay for administrative costs;

(9) do all things necessary and proper to carry out the purposes of sections 11 to 19, and amendments thereto;

(10) adopt rules and regulations necessary to administer sections 11 to 19, and amendments thereto; and

(11) evaluate the Kansas postsecondary education savings program annually, and make a report thereon to the governor and legislature for the period.

New Sec. 16. (a) The state treasurer may implement the program through use of financial organizations as account depositories and managers.

(b) The state treasurer may solicit proposals from financial organizations to act as depositories and managers of the program. Financial organizations submitting proposals shall describe the investment instrument which will be held in accounts. The state treasurer shall select as program depositories and managers the financial organization, from among the bidding financial organizations, that demonstrates the most advantageous combination, both to potential program participants and this state, of the following factors:

(1) Financial stability and integrity of the financial organization;

(2) the safety of the investment instrument being offered;

(3) the ability of the investment instrument to track increasing costs of postsecondary education;

(4) the ability of the financial organization to satisfy recordkeeping and reporting requirements;

(5) the financial organization's plan for promoting the program and the investment the organization is willing to make to promote the program;

(6) the fees, if any, proposed to be charged to persons for opening accounts;

(7) the minimum initial deposit and minimum contributions that the

financial organization will require;

(8) the ability of the financial organization to accept electronic withdrawals, including payroll deduction plans; and

(9) other benefits to the state or its residents included in the proposal, including fees payable to the state to cover expenses of operation of the program.

(c) The state treasurer may enter into a contract with a financial organization. Such financial organization management shall provide only one type of investment instrument.

(d) The state treasurer may select more than one financial organization and investment instrument for the program when the federal internal revenue service has provided guidance that giving a contributor the choice of two or more investment instruments under a state program will not cause the program to fail to qualify for favorable tax treatment under section 529 of the federal internal revenue code of 1986, as amended.

(e) A management contract shall include, at a minimum, terms requiring the financial organization to:

(1) Take any action required to keep the program in compliance with requirements of sections 11 to 19, and amendments thereto, and any actions not contrary to its contract to manage the program to qualify as a "qualified state tuition plan" as defined in section 529 of the federal internal revenue code of 1986, as amended;

(2) keep adequate records of each account, keep each account segregated from each other account and provide the state treasurer with the information necessary to prepare the statements required by section 17, and amendments thereto;

(3) compile and total information contained in statements required to be prepared under section 17, and amendments thereto, and provide such compilations to the state treasurer;

(4) if there is more than one program manager, provide the state treasurer with such information as is necessary to determine compliance with section 17, and amendments thereto;

(5) provide the state treasurer with access to the books and records of the program manager to the extent needed to determine compliance with the contract;

(6) hold all accounts for the benefit of the account owner or owners;

(7) be audited at least annually by a firm of certified public accountants selected by the program manager and provide the results of such audit to the state treasurer;

(8) provide the state treasurer with copies of all regulatory filings and reports made by the financial organization during the term of the management contract or while the financial organization is holding any accounts, other than confidential filings or reports that will not become part of the program. The program manager shall make available for review by the state treasurer the results of any periodic examination of such manager by any state or federal banking, insurance or securities commission, except to the extent that such report or reports may not be disclosed under law; and

(9) ensure that any description of the program, whether in writing or through the use of any media, is consistent with the marketing plan developed pursuant to the provisions of sections 11 to 19, and amendments thereto.

(f) The state treasurer may provide that an audit shall be conducted of the operations and financial position of the program depository and manager at any time if the state treasurer has any reason to be concerned about the financial position, the recordkeeping practices or the status of accounts of such program depository and manager.

(g) During the term of any contract with a program manager, the state treasurer shall conduct an examination of such manager and the manager's handling of accounts. Such examination shall be conducted at least biennially if such manager is not otherwise subject to periodic examination by the state bank commissioner, the federal deposit insurance corporation or other similar entity.

(h) (1) If selection of a financial organization as a program manager or depository is not renewed, after the end of the financial organization's term:

(A) Accounts previously established and held in investment instruments at such financial organization may be terminated;

(B) additional contributions may be made to such accounts;

(C) no new accounts may be placed with such financial organization; and

(D) existing accounts held by such depository shall remain subject to all oversight and reporting requirements established by the state treasurer.

(2) If the state treasurer terminates a financial organization as a program manager or depository, the state treasurer shall take custody of accounts held by such financial organization and shall seek to promptly transfer such accounts to another financial organization that is selected as a program manager or depository and into investment instruments as similar to the original instruments as possible.

(i) The state treasurer may enter into such contracts as it deems necessary and proper for the implementation of the program.

New Sec. 17. (a) Family postsecondary education savings accounts established pursuant to the provisions of sections 11 to 19, and amendments thereto shall be governed by the provisions of this section.

(b) A family postsecondary education savings account may be opened by any person or persons who desire to save money for the payment of the qualified higher education expenses of the designated beneficiary. Such persons shall be considered the account owner.

(1) An application for such account shall be in the form prescribed by the state treasurer and contain the following:

(A) The name, address and social security number or employer identification number of the account owner or owners;

(B) the designation of a designated beneficiary;

(C) the name, address and social security number of the designated beneficiary;

(D) the certification relating to no excess contributions; and

(E) such other information as the state treasurer may require.

(2) The state treasurer shall establish a nominal nonrefundable application fee for such application.

(c) Only the account owner or owners may make contributions to the account after the account is opened.

(d) Contributions to accounts may be made only in cash.

(e) An account owner may withdraw all or part of the balance from an account on sixty-days notice or such shorter period as may be authorized under rules and regulations governing the program. Such rules and regulations shall include provisions that will generally enable the determination as to whether a withdrawal is a nonqualified withdrawal or a

qualified withdrawal. Such rules and regulations may require one or more of the following:

(1) An account owner seeking to make a qualified withdrawal must provide certification of qualified higher education expenses in a form and manner and pursuant to the method consistent with the requirements of sections 11 to 19, and amendments thereto; and

(2) withdrawals not meeting the requirements of sections 11 to 19, and amendments thereto shall be treated as nonqualified withdrawals by the program manager and if such withdrawals are subsequently deemed qualified withdrawals, the account owner must seek any refund of penalties directly from the program.

(f) (1) An account owner may change the designated beneficiary of an account to an individual who is a member of the family of the prior designated beneficiary in accordance with procedures established pursuant to the provisions of sections 11 to 19, and amendments thereto.

(2) An account owner may transfer all or a portion of an account to another family postsecondary education savings account, the designated beneficiary of which is a member of the family as defined in section 529 of the federal internal revenue code of 1986, as amended.

(3) Changes in designated beneficiaries and transfers under this subsection shall not be permitted to the extent that they would constitute excess contributions or unauthorized investment choices.

(g) In the case of any nonqualified withdrawal from an account an amount equal to 15% of the portion of the withdrawal constituting income as determined in accordance with the principles of section 529 of the federal internal revenue code of 1986, as amended, plus an amount equal to the amount of interest earned on such portion shall be withheld as a penalty and paid to the Kansas postsecondary education savings program.

(h) The penalty prescribed in subsection (g) may be increased if the state treasurer determines that the amount of such penalty must be increased to constitute a greater than de minimis penalty for purposes of qualifying the program as a qualified state tuition program as defined in section 529 of the federal internal revenue code of 1986, as amended.

(i) If an account owner makes a nonqualified withdrawal and no penalty amount is withheld pursuant to subsection (g) or the amount withheld was less than the amount required to be withheld under such subsection for nonqualified withdrawals, the account owner shall pay the unpaid portion of the penalty to the program at the same time that the account owner files the earlier of the account owner's state or federal income tax

return for the taxable year of the withdrawal or if such account owner does not file such return, the due date for such returns but in any event on or before the due date for such return taking into account any authorized extensions.

(j) The program shall provide separate accounting for each designated beneficiary.

(k) No account owner or designated beneficiary of any account shall be permitted to direct the investment of any contributions to an account or the earnings thereon.

(l) Neither an account owner nor a designated beneficiary may use an interest in an account as security for a loan. Any pledge of an interest in an account shall be of no force and effect.

(m) (1) The state treasurer shall adopt rules and regulations to prevent contributions on behalf of a designated beneficiary in excess of an amount equal to the average amount of the qualified higher education expenses that would be incurred for five years of study at institutions of postsecondary education located in the midwest states. Such amount shall be determined annually by the state treasurer.

(2) Such rules and regulations shall include requirements that any excess balance with respect to a designated beneficiary be promptly withdrawn in a nonqualified withdrawal or transferred to another account.

(n) (1) If there is any distribution from an account to any individual or for the benefit of any individual during a calendar year, such distribution shall be reported to the federal internal revenue service and the account owner or owners, the designated beneficiary, or the distributee to the extent required by federal law or regulation.

(2) Statements shall be provided to each account owner at least once each year within 60 days after the end of the twelve-month period to which they relate. The statement shall identify the contributions made during a preceding twelve-month period, the total contributions made to the account through the end of the period, the value of the account at the end of such period, distributions made during such period and any other information that the state treasurer shall require to be reported to the account owner.

(3) Statements and information relating to accounts shall be prepared and filed to the extent required by federal and state tax law.

(o) (1) A local government or organization described in section 501(c) (3) of the federal internal revenue code of 1986, as amended, may

open and become the account owner of an account to fund scholarships for persons whose identity will be determined upon disbursement.

(2) In the case of any account opened pursuant to provision (1) of this subsection, the requirement set forth in subsection (b) that a designated beneficiary be designated when an account is opened shall not apply and each individual who receives an interest in such account as a scholarship shall be treated as a designated beneficiary with respect to such interest.

(p) An annual fee may be imposed upon the account owner or owners for the maintenance of the account.

(q) An account must be opened before the designated beneficiary attains 25 years of age and at least two calendar years before a qualified withdrawal can be made. Qualified withdrawals must be completed by the time the designated beneficiary attains 30 years of age or within 10 years after the initial qualified withdrawal is made, whichever occurs first. The state treasurer may adopt rules and regulations providing for exceptions to the foregoing requirements for such extenuating circumstances as the state treasurer deems necessary and appropriate.

(r) An account owner or designated beneficiary of a Kansas postsecondary education savings account may be a resident of any state but must be a resident of the United States of America.

(s) The program shall disclose the following information in writing to each account owner and prospective account owner of a family postsecondary education savings account:

(1) The terms and conditions for purchasing a family postsecondary education savings account;

(2) any restrictions on the substitution of beneficiaries;

(3) the person or entity entitled to terminate the savings agreement;

(4) the period of time during which a beneficiary may receive benefits under the savings agreement;

(5) the terms and conditions under which money may be wholly or partially withdrawn from the program, including, but not limited to, any reasonable charges and fees that may be imposed for withdrawal;

(6) the probable tax consequences associated with contributions to and distributions from accounts; and

(7) all other rights and obligations pursuant to savings agreements,

and any other terms, conditions and provisions deemed necessary and appropriate by the state treasurer.

(t) Nothing in sections 10 to 19, and amendments thereto, or in any savings agreement entered into pursuant to sections 11 to 19, and amendments thereto, shall be construed as a guarantee by the state of Kansas or any institution of postsecondary education that a beneficiary will be admitted to the institution of postsecondary education or, upon admission to any institution of postsecondary education, will be permitted to continue to attend or will receive a degree from such institution of postsecondary education.

New Sec. 18. (a) Nothing in sections 11 to 19, and amendments thereto, shall be construed to:

(1) Give any designated beneficiary any rights or legal interest with respect to an account unless the designated beneficiary is the account owner;

(2) guarantee that a designated beneficiary will be admitted to an institution of postsecondary education;

(3) create state residency for an individual merely because the individual is a designated beneficiary; or

(4) guarantee that amounts saved pursuant to the program will be sufficient to cover the qualified higher education expenses of a designated beneficiary.

(b) (1) Nothing in sections 11 to 19, and amendments thereto, shall create or be construed to create any obligation of the state treasurer, the state or any agency or instrumentality of the state to guarantee for the benefit of any account owner or designated beneficiary with respect to:

(A) The rate of interest or other return on any account; and

(B) the payment of interest or other return on any account.

(2) The state treasurer by rules and regulations shall provide that every contract, application, deposit slip or other similar document that may be used in connection with a contribution to an account clearly indicate that the account is not insured by the state and neither the principal deposited nor the investment return is guaranteed by the state.

New Sec. 19. (a) The Kansas postsecondary education savings program trust fund is hereby established in the state treasury. Such savings trust fund shall consist of moneys deposited by depositors in accordance with this act, moneys acquired from governmental and private sources

and state general fund appropriations, if any. All interest derived from the deposit and investment of moneys in such savings trust fund shall be credited to the fund. At the end of any fiscal year, all unexpended and unencumbered moneys in such savings trust fund shall remain therein and not be credited or transferred to the state general fund or to any other fund.

(b) The state treasurer shall credit all moneys received in connection with the Kansas postsecondary education savings program to the Kansas postsecondary education savings program trust fund.

(c) All expenses incurred by the treasurer in developing and administering the postsecondary education savings program shall be payable from the Kansas postsecondary education savings program trust fund.

Sec. 20. K.S.A. 1998 Supp. 79-32,117 is hereby amended to read as follows: 79-32,117. (a) The Kansas adjusted gross income of an individual means such individual's federal adjusted gross income for the taxable year, with the modifications specified in this section.

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

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

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

(iii) The federal net operating loss deduction.

(iv) Federal income tax refunds received by the taxpayer if the deduction of the taxes being refunded resulted in a tax benefit for Kansas income tax purposes during a prior taxable year. Such refunds shall be

included in income in the year actually received regardless of the method of accounting used by the taxpayer. For purposes hereof, a tax benefit shall be deemed to have resulted if the amount of the tax had been deducted in determining income subject to a Kansas income tax for a prior year regardless of the rate of taxation applied in such prior year to the Kansas taxable income, but only that portion of the refund shall be included as bears the same proportion to the total refund received as the federal taxes deducted in the year to which such refund is attributable bears to the total federal income taxes paid for such year. For purposes of the foregoing sentence, federal taxes shall be considered to have been deducted only to the extent such deduction does not reduce Kansas taxable income below zero.

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

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

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

(viii) The amount of any costs incurred for improvements to a swine facility, claimed for deduction in determining federal adjusted gross income, to the extent the same is claimed as the basis for any credit allowed pursuant to K.S.A. 1998 Supp. 79-32,204 and amendments thereto.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(xiii) For taxable years beginning after December 31, 1993, the amount of income earned on contributions deposited to an individual development account under K.S.A. 79-32,117h, and amendments thereto.

(xiv) For all taxable years commencing after December 31, 1996, that portion of any income of a bank organized under the laws of this state or any other state, a national banking association organized under the laws of the United States, an association organized under the savings and loan code of this state or any other state, or a federal savings association organized under the laws of the United States, for which an election as an S corporation under subchapter S of the federal internal revenue code is in effect, which accrues to the taxpayer who is a stockholder of such corporation and which is not distributed to the stockholders as dividends of the corporation.

(xv) For all taxable years beginning after December 31, 1999, amounts not exceeding \$2,000 for each designated beneficiary which are contributed to a family postsecondary education savings account established under the Kansas postsecondary education savings program for the purpose of paying the qualified higher education expenses of a designated beneficiary at an institution of postsecondary education. The terms and phrases used in this paragraph shall have the meaning respectively ascribed thereto by the provisions of section 14, and amendments thereto, and the provisions of such section are hereby incorporated by reference for all purposes thereof.

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

(e) The amount of modifications required to be made under this section by a partner which relates to items of income, gain, loss, deduction

or credit of a partnership shall be determined under K.S.A. 79-32,131, and amendments thereto, to the extent that such items affect federal adjusted gross income of the partner.

New Sec. 21. (a) Without adoption of a resolution or ordinance so providing, the governing body of any taxing subdivision shall not approve any appropriation or budget, as the case requires, which may be funded by revenue produced from property taxes, and which provides for funding with such revenue in an amount exceeding that of the next preceding year, except with regard to revenue produced and attributable to the taxation of: (1) New improvements to real property;

(2) increased personal property valuation, other than increased valuation of oil and gas leaseholds and mobile homes;

(3) property located within added jurisdictional territory; and

(4) property which has changed in use.

(b) The provisions of this section shall be applicable to all fiscal and budget years commencing on and after the effective date of this act.

(c) The provisions of this section shall not apply to community colleges or unified school districts.

(d) The provisions of this section shall not apply to revenue received from property tax levied for the sole purpose of repayment of the principal of and interest upon bonded indebtedness, temporary notes and no-fund warrants.

New Sec. 22. The governing body of any city is hereby authorized and empowered to levy taxes in each year for the general fund and other city purposes.

Sec. 23. K.S.A. 79-1945 is hereby amended to read as follows: 79-1945. The board of county commissioners *of any county* is *hereby* authorized *and empowered* to levy *taxes* in each year ~~taxes for the several county purposes, on the assessed tangible valuation of the respective counties, not to exceed the tax levy rates and amounts specified in the following sections of this act~~ *general fund and other county purposes. Revenues derived from property taxes levied for mental health programs or for programs for people with disabilities, whether deposited in special funds or in the general funds of the several counties, shall be expended exclusively for such purposes.*

Sec. 24. K.S.A. 79-1946 is hereby amended to read as follows: 79-1946. The board of county commissioners of each of the several counties is hereby authorized to fix a rate of levy annually ~~to meet and defray the~~

~~for current general expenses of the county and to pay a portion of the principal and interest on bonds issued under the authority of K.S.A. 12-1774, and amendments thereto, by any city located in such county, subject to limitations prescribed according to the assessed tangible valuation or a total population as follows:-~~

Less than \$13,000,000 or having a population of less than 3,500	6.50 mills
\$13,000,000 to \$30,000,000	4.25 mills
Over \$30,000,000 to \$140,000,000	3.50 mills
Over \$140,000,000	4.25 mills

~~Except that in any such county which adjoins a military reservation and which has an assessed taxable tangible valuation of less than \$100,000,000 such rate of levy may, except as hereinafter provided, be increased not to exceed 11/2 mills. Before any county shall increase any levy under the provisions of the foregoing proviso the board of county commissioners shall publish a notice of its intention to make such increase in the levy. Such notice shall be published once each week for two consecutive weeks in the official county newspaper and if within 60 days next following the last publication of such notice a petition signed by electors of the county equal in number to not less than 5% of the total electors of such county is filed in the office of the county election officer requesting an election upon such proposition, no such increased levy shall be made without such proposition having been submitted to and approved by a majority of the electors of the county voting at an election called and held thereon. All such elections shall be noticed, called and held in the manner prescribed in K.S.A. 10-120, and amendments thereto.~~

Sec. 25. K.S.A. 79-1962 is hereby amended to read as follows: 79-1962. (a) The governing body of any township is hereby authorized and empowered to levy taxes in each year for *the general fund and other township purposes, except that levies of taxes for road and noxious weed purposes shall only be levied on all taxable tangible property located outside of incorporated cities.* but the governing body shall not fix a rate of levy in any one year on each dollar of assessed tangible valuation of such township in excess of the following named rates:-

Ambulance service: As authorized by K.S.A. 80-1425	3 mills
General fund	.50 mill
Judgments	1.00 mill
Establishing and maintenance of free library and reading room	1.00 mill
Such one mill levy is subject to increase as hereinafter provided.	
Free band concerts	.25 mill
Free band concerts when authorized by an election	.50 mill

To acquire land for a cemetery or park	1.00 mill
Maintenance of a cemetery or park	1.00 mill
To acquire a site and build a cemetery chapel	2.00 mills
Fire protection, joint with cities or townships	1.00 mill
Extermination of prairie dogs	1.00 mill
Cemeteries: As authorized by K.S.A. 12-1403	1.00 mill
Cemeteries: As authorized by K.S.A. 12-1405	1.00 mill
Cemeteries: As authorized by K.S.A. 80-932	.10 mill
Fire department: As authorized by K.S.A. 80-1903	2.00 mills
Townships in counties between 150,000 and 250,000	4.00 mills
Fire department: As authorized by K.S.A. 80-1916	3.00 mills
Fire department: As authorized by K.S.A. 80-1921	3.00 mills
Fire department: As authorized by K.S.A. 80-1537	3.00 mills
Garbage and trash fund: As authorized by K.S.A. 80-2201:	
First year of levy	1.00 mill
Second year and thereafter	.50 mill
Garbage and trash disposal: As authorized by K.S.A. 80-2204	.50 mill
Halls and buildings: As authorized by K.S.A. 80-115	2.00 mills
Noxious weeds: As authorized by K.S.A. 2-1318	1.00 mill
Deficiency levy for chemicals	.50 mill
Parks and cemeteries: Maintenance as authorized by K.S.A. 80-903	2.00 mills
Police protection by sheriff's deputies:	
As authorized by K.S.A. 19-807d	1.00 mill
Roads: As authorized by 68-518c	5.00 mills
Townships in counties between 175,000 and 275,000	7.00 mills

Such rates are not intended to, and shall not be construed to apply to any township not specifically authorized by law to make such levy.

—(b) The townships of Garfield and Pierceville in Finney county, Kansas, are hereby authorized to levy an annual tax upon all taxable tangible property in the respective townships of not to exceed three mills for the purpose of paying for fire protection.

—(c) The levy for establishing and maintaining a free library and reading room may be increased from one mill to not more than 2.50 mills. Before any township increases this levy the township board shall publish a notice of its intention to make such increase. Such notice shall be published once each week for two consecutive weeks in the official county newspaper and if within 60 days following the last publication of such notice a petition signed by electors of the township equal in number to

not less than 5% of the total electors of such township is filed in the office of the county election officer requesting an election upon such proposition, no such increased levy shall be made without such proposition having been submitted to and approved by a majority of the electors of the township voting at an election called and held thereon. All such elections shall be noticed, called and held in the manner prescribed in K.S.A. 10-120, and amendments thereto.

Sec. 26. K.S.A. 2-610 is hereby amended to read as follows: 2-610.

(a) On or before July 15 each year, the executive board of the county extension council shall file with the county commissioners in the office of the county clerk:

(1) A list of current members of the county extension council and its executive board;

(2) a certification of election of officers as provided in subsection (c) of K.S.A. 2-611, and amendments thereto;

(3) a certificate by the director of extension of Kansas state university of agriculture and applied science that the county extension council is properly functioning and entitled to receive the appropriations provided by law; and

(4) a proposed budget prepared in cooperation with the director of extension of Kansas state university of agriculture and applied science for the ensuing calendar year.

(b) If the commission does not approve the proposed budget within 10 days after receipt thereof, it shall return the budget to the board. Upon receipt of the returned budget, the board shall consider amendments or modifications and may consult with the commission concerning the budget. Within 10 days after receipt of the returned budget, the board shall resubmit its proposed budget, with or without amendment or modification, to the commission. Within 10 days after resubmission of the proposed budget, the commission shall approve, or amend or modify and approve as amended or modified, such proposed budget. The commission shall adopt the proposed budget as approved and shall make the same a part of the regular county budget. The board of county commissioners shall make an appropriation and certify to the county clerk the amount of tax necessary to be levied on all tangible taxable property of the county sufficient to provide a program of county extension work and to pay a portion of the principal and interest on bonds issued under the authority of K.S.A. 12-1774, and amendments thereto, by cities located in the county, which levy shall not exceed the limitation prescribed by K.S.A. 79-1947, and amendments thereto.

Sec. 27. K.S.A. 2-1318 is hereby amended to read as follows: 2-1318. The county weed supervisor of each county is hereby directed and it shall be the duty of the county weed supervisor to ascertain each year the approximate amount of land and highways infested with each kind of noxious weeds and its location in the county, and transmit such information tabulated by cities and townships not later than June 1 of each year, to the secretary of the state board of agriculture, board of county commissioners, and to the governing body of each city and township in the district pertaining to such noxious weed infestation in their respective jurisdiction. On the basis of such information the tax levying body of each county, township or incorporated city shall make a tax levy each year for the purpose of paying their part of the cost of control and eradication thereof as provided in this act and, in the case of cities and counties, to pay a portion of the principal and interest on bonds issued under the authority of K.S.A. 12-1774, and amendments thereto, by cities located in the county. Each county, city, and township, separately, shall make a levy each year ~~in addition to all other levies now authorized by law, in such amount as is deemed to be necessary but not to exceed the limitation prescribed by K.S.A. 79-1947, 79-1948, 79-1949, 79-1950, 79-1951, 79-1952, 79-1953 and 79-1962 and amendments thereto, in any one year~~ **for such purpose.** Any city may budget expenditures for weed control within its general operating fund in lieu of levying a special tax therefor or maintaining a separate noxious weed eradication fund. Moneys collected from such levy, except for an amount to pay a portion of the principal and interest on bonds issued under the authority of K.S.A. 12-1774, and amendments thereto, by cities located in the county, shall be set apart as a noxious weed eradication fund and warrants duly verified by the county or city supervisor if such be employed or if no supervisor be employed, then by county, township or city clerk, as the case may be, may be drawn against this fund for all items of expense incident to control of noxious weeds in such district respectively. Any moneys remaining in the noxious weed eradication fund at the end of any year for which a levy is made under this section may be transferred to the noxious weed capital outlay fund for making of capital expenditures incident to the control of noxious weeds. ~~If moneys collected from such levy in the preceding year were insufficient to purchase chemicals or chemical materials needed for the purposes authorized in K.S.A. 2-1319 or 2-1322, and amendments thereto, the tax levying body may levy an additional tax of not to exceed the limitation prescribed by K.S.A. 79-1947, 79-1948, 79-1949, 79-1950, 79-1951, 79-1952, 79-1953 and 79-1962 and amendments thereto, but the moneys collected from such levy shall not be used for any purpose other than the purchase of such chemicals or chemical materials.~~

—Any tax levy authorized under the provisions of this section shall be in addition to all other tax levies authorized by law.

Sec. 28. K.S.A. 2-2007 is hereby amended to read as follows: 2-2007. Each board of county commissioners is authorized to create a "soil drifting fund". ~~They are authorized and empowered to make~~ *soil drifting fund* and levy a tax against all taxable tangible property of the county at a rate not to exceed the limitation prescribed by K.S.A. 79-1947, to be collected as other taxes, and when collected to be credited to the "soil drifting fund" to pay for the cost of work done, or hired to be done, by the board of county commissioners and to pay a portion of the principal and interest on bonds issued under the authority of K.S.A. 12-1774, and amendments thereto, by cities located in the county. ~~To pay persons employed by them to do such work ordered to be done on any property the county shall issue its warrants upon the "soil drifting fund," and such warrants shall be paid from that fund. This shall be regarded as a special purpose for incurring obligations and issuing and paying warrants and is not controlled by any general statute relating thereto.~~

Sec. 29. K.S.A. 2-1319 is hereby amended to read as follows: 2-1319.

(a) The cost of controlling and eradicating noxious weeds on all lands or highways owned or supervised by a state agency, department or commission shall be paid by the state agency, department or commission supervising such lands or highways from funds appropriated to its use; on county lands and county roads, on township lands and township roads, on city lands, streets and alleys by the county, township or city in which such lands, roads, streets and alleys are located, and from funds made available for that purpose; on drainage districts, irrigation districts, cemetery associations and other political subdivisions of the state, the costs shall be paid from their respective funds made available for the purpose. If the governing body of any political subdivision owning or supervising lands infested with noxious weeds within their jurisdiction fails to control such noxious weeds after 15 days' notice directing any such body to do so, the board of county commissioners shall proceed to have proper control and eradication methods used upon such lands, and shall notify the governing body of the political subdivision by certified mail of the costs of such operations, with a demand for payment. The governing body of the political subdivision shall pay such costs from its noxious weed fund, or if no such fund is available, from its general fund or from any other funds available for such purpose. Copy of the statement, together with proof of notification, shall at the same time be filed with the county clerk, and if the amount is not paid within 30 days, such clerk shall spread the amount upon the tax roll of the subdivision, and such amount shall become a lien against the entire territory located within the particular political subdivision, and shall be collected as other taxes are collected.

(b) All moneys collected pursuant to this section shall be paid into the county noxious weed eradication fund. ~~Tax levies made pursuant to this section shall be in addition to all other levies authorized by law, and~~

~~shall be in addition to any aggregate tax levy limits prescribed by law.~~

(c) As used in this section, "governing body" means the board, body, or persons in which the powers of a political subdivision as a body corporate are vested; and "political subdivision" means any agency or unit of the state authorized to levy taxes or empowered to cause taxes to be levied.

(d) On all other lands the owner thereof shall pay the cost of control and eradication of noxious weeds. Except as provided in K.S.A. 2-1333 *and amendments thereto*, chemical materials for use on privately owned lands may be purchased from the board of county commissioners at a price fixed by the board of county commissioners which shall be in an amount equal to not less than 50% nor more than 75% of the total cost incurred by the county in purchasing, storing and handling such chemical materials. However, once the tax levying body of a county, city or township has authorized the maximum ~~a~~ tax levy prescribed by K.S.A. 2-1318, ~~and amendments thereto~~ *of 1.5 mills or more*, the board of county commissioners may collect from the owner of privately owned lands an amount equal to 75% but not more than 100% of the total cost incurred by the county in purchasing, storing and handling of chemical materials used in the control and eradication of noxious weeds on such privately owned lands. Whenever official methods of eradication, adopted by the state board of agriculture, are not followed in applying the chemical materials so purchased, the board of county commissioners may collect the remaining portion of the total cost thereof.

Sec. 30. K.S.A. 2-1322 is hereby amended to read as follows: 2-1322.

(a) The board of county commissioners, or the governing body of incorporated cities, cooperating with the secretary of the state board of agriculture, shall purchase or provide for needed and necessary equipment and necessary chemical material for the control and eradication of noxious weeds. The board of county commissioners of any county or the governing body of any city may use any equipment or materials purchased as provided for in this section, upon the highways, streets and alleys, for the treatment and eradication of weeds which have not been declared noxious by legislative action.

(b) Except as provided in K.S.A. 2-1333 *and amendments thereto*, the board of county commissioners shall sell chemical material to the landowners in their jurisdiction at a price fixed by the board of county commissioners which shall be in an amount equal to not less than 50% nor more than 75% of the total cost incurred by the county in purchasing, storing and handling such chemical materials used in the control and eradication of noxious weeds, and may make such charge for the use of machines or other equipment and operators as may be deemed by them sufficient to cover the actual cost of operation. However, once the tax

levying body of a county, city or township has authorized ~~the maximum~~ **a tax levy prescribed by K.S.A. 2-1318, and amendments thereto of 1.5 mills or more**, the board of county commissioners may collect from the landowners in their jurisdiction an amount equal to 75% but not more than 100% of the total cost incurred by the county in purchasing, storing and handling of chemical materials used in the control and eradication of noxious weeds.

(c) Whenever official methods of eradication adopted by the state board of agriculture are not used in applying the chemical material purchased, the board of county commissioners may collect the remaining portion of the total cost thereof from the landowner.

(d) The board of county commissioners, township boards, and the governing body of cities shall keep a record showing purchases of material and equipment for control and eradication of noxious weeds. The board of county commissioners and the governing body of cities shall also keep a complete itemized record showing sales for cash or charge sales of material and shall maintain a record of charges and receipts for use of equipment owned by each county or city on public and private land. Such records shall be open to inspection by citizens of Kansas at all times.

Sec. 31. K.S.A. 3-121 is hereby amended to read as follows: 3-121. Municipalities operating airports jointly may pay the expenses of purchasing or acquiring such airports from the general funds of such municipalities or may issue general obligation bonds, as authorized by law, but no such bonds shall be issued for the purchase or acquisition of airports as provided hereunder, by any municipality unless and until the question of issuing same shall have been submitted to the qualified electors of ~~said~~ **such** municipality at any regular or special election and a majority of those voting on the proposition in ~~said~~ **such** municipality shall have voted in favor of the issuance of said bonds. In addition, any such governing body may issue general obligation bonds of the county or city in an amount not to exceed ~~fifty thousand dollars (\$50,000)~~ **\$50,000** annually without an election, for the purpose of providing improvements on runways of any such airport. Any governing body proposing to issue such bonds shall publish a resolution to that effect in a newspaper of general circulation within the city or county, as applicable. Such resolution shall be published once each week for three consecutive weeks. If, within ~~sixty (60)~~ **60** days following the final such publication, a petition signed by not less than ~~five percent (5%)~~ **5%** of the qualified electors of such city or county, as applicable, is presented to the county election officer, no such bonds shall be issued until approved by a majority of the qualified electors voting thereon at the next county or city general election following the presentation of the petition.

In lieu of issuing such bonds for the purchase or acquisition of an airport, the governing body of the municipality may levy an annual tax of not to exceed one mill on the dollar on all the taxable tangible property in such municipality for not to exceed three years for the purpose of creating a special fund to be used to pay the expenses of purchasing or acquiring such airports or flying fields and to pay a portion of the principal and interest on bonds issued under the authority of K.S.A. 12-1774, and amendments thereto, by cities located in the county. Any such governing bodies are hereby further authorized to levy an annual tax ~~not to exceed the limitation prescribed by K.S.A. 79-1947, 79-1948, 79-1949, 79-1950, 79-1951, 79-1952 and 79-1953, and amendments thereto, per year,~~ for the support, maintenance and operation of such airports and to pay a portion of the principal and interest on bonds issued under the authority of K.S.A. 12-1774, and amendments thereto, by cities located in the county. Such support, maintenance and operation expenses shall be borne in the proportion agreed upon by the municipalities in case such airports are not leased.

Sec. 32. K.S.A. 12-1617h is hereby amended to read as follows: 12-1617h. Cities are hereby authorized to levy annually upon all the taxable tangible property within the city a tax ~~not to exceed the limitation prescribed by K.S.A. 79-1948, 79-1949, 79-1950, 79-1951, 79-1952 and 79-1953, and amendments thereto,~~ for the purpose of creating a fund to be used in securing or retaining industries or manufacturing institutions for such city or near its environs and to pay a portion of the principal and interest on bonds issued by such city under the authority of K.S.A. 12-1774, and amendments thereto. No such levy shall be made until the governing body is instructed to do so by a majority of all the votes cast on this proposition at an election held at any city or general election.

Such election shall be held as provided by law for bond elections. If any such city shall not make such tax levy in any year, after the third year following the approval of such tax levy by the voters, then it shall be necessary to resubmit the issue to the voters before any such tax levy shall be imposed again. ~~The tax levy herein authorized shall be in addition to all other levies authorized by law and shall not be subject to any of the limitations prescribed by article 19 of chapter 79 of the Kansas Statutes Annotated or acts amendatory thereof and supplemental thereto.~~

Nothing in this section shall be construed as restricting the authority of cities to utilize the general fund or other revenue sources for the purpose of promoting or securing the location or expansion of business and industry.

Sec. 33. K.S.A. 19-236 is hereby amended to read as follows: 19-236. That in addition to the powers already given by law, the board of county commissioners of each county shall have power at any meeting, in case

of great loss or damage to life or property, to assist in burying the dead, caring for the wounded, rendering temporary aid to the distressed, preventing disease and pestilence, and cleaning up debris, and to issue no-fund warrants of the county therefor not exceeding ~~one percent (1%)~~ 1% of the taxable property of the county, and to levy a tax at the first tax levying period thereafter to pay such warrants. ~~All such tax levies shall be in addition to all other levies authorized or limited by law and shall not be subject to the aggregate tax levy prescribed in article 19 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto.~~ Such warrants shall be issued, registered, redeemed and bear interest in the manner and in the form prescribed by K.S.A. 79-2940 **and amendments thereto**, except they shall not bear the notation required by ~~said such~~ section and shall be issued without the approval of the state board of tax appeals.

Sec. 34. K.S.A. 19-2803 is hereby amended to read as follows: 19-2803. The board of county commissioners is authorized to levy a tax ~~not to exceed the limitation prescribed by K.S.A. 79-1947, and amendments thereto,~~ for the creation of a fund to be used for the purposes set forth in K.S.A. 19-2801 **and amendments thereto** and for the purpose of paying a portion of the principal and interest on bonds issued under the authority of K.S.A. ~~1979 Supp.~~ 12-1774, and amendments thereto, by cities located in the county.

Sec. 35. K.S.A. 19-2803e is hereby amended to read as follows: 19-2803e. Whenever a county lake and recreational grounds shall be established under the authority of this act, the board of county commissioners of such county shall make an annual tax levy ~~in an amount not to exceed the limitation prescribed by K.S.A. 1979 Supp. 79-1947,~~ for the creation of a lake and recreational grounds fund to be used for the supervision, maintenance and improvement of ~~said the~~ lake and recreational grounds and to pay a portion of the principal and interest on bonds issued under the authority of K.S.A. ~~1979 Supp.~~ 12-1774, and amendments thereto, by cities located in the county. ~~Said tax levy shall be in addition to all the tax levies authorized or limited by law and shall not be subject to or within any aggregate tax levy limit prescribed by K.S.A. 1979 Supp. 79-1947, or acts amendatory thereof or supplemental thereto.~~

Sec. 36. K.S.A. 19-3105 is hereby amended to read as follows: 19-3105. The board of county commissioners is hereby authorized to make an annual tax levy ~~not to exceed the limitation prescribed by K.S.A. 1979 Supp. 79-1947~~ on all taxable tangible property of the county for the purpose of providing a fund to be used for the maintenance and care of any cemetery acquired under the provisions of this act and for the purpose of obtaining additional land for any such cemetery and to pay a portion of the principal and interest on bonds issued under the authority of K.S.A.

~~1979 Supp. 12-1774, and amendments thereto, by cities located in the county. The tax levy authorized by this section shall be in addition to all other county tax levies authorized by law and shall not be subject to any aggregate tax levy limitation prescribed by law.~~

Sec. 37. K.S.A. 19-3106 is hereby amended to read as follows: 19-3106. In any county in this state in which there is located a cemetery or other burial place in which three or more human bodies have been interred, and which cemetery or burial place has been abandoned and not cared for, for a period of at least five years, the board of county commissioners of ~~said~~ **the** county is hereby authorized to provide for the care of such cemetery or burial place. For the purpose of providing funds for such care and to pay a portion of the principal and interest on bonds issued under the authority of K.S.A. ~~1979 Supp. 12-1774, and amendments thereto, by cities located in the county, the board of county commissioners is authorized to make an annual tax levy not to exceed the limitation prescribed by K.S.A. 1979 Supp. 79-1947,~~ on all taxable tangible property of ~~said~~ **the** county. ~~Said tax levy shall be in addition to all other levies authorized or limited by law, and shall not be subject to or within any aggregate tax levy limitation prescribed by article 19 of chapter 79 of the Kansas Statutes Annotated or acts amendatory thereof or supplementary thereto.~~

Sec. 38. K.S.A. 19-3305 is hereby amended to read as follows: 19-3305. For the purpose of maintaining and operating such flood control works as shall be constructed by the United States army corps of engineers or other agency of the United States government, when the same shall have been completed and turned over to the county and to pay a portion of the principal and interest on bonds issued under the authority of K.S.A. ~~1979 Supp. 12-1774, and amendments thereto, by cities located in the county, the board of county commissioners of such county shall be empowered to make an annual tax levy upon all of the taxable tangible property within~~ **said the** county, ~~in an amount not to exceed the limitation prescribed by K.S.A. 1979 Supp. 79-1947, and such levy shall be in addition to all other levies authorized or limited by law.~~ It shall be the duty of the board of county commissioners and the county engineer to keep all such flood control works in serviceable condition and to make such repairs as ~~may~~, from time to time, **may** be necessary.

Sec. 39. K.S.A. 19-4004 is hereby amended to read as follows: 19-4004. In all counties wherein the board or boards of county commissioners in the event of a combination of counties has established a governing board, the respective board or boards of county commissioners may levy an annual tax upon all taxable tangible property in such county, ~~which tax shall not exceed the limitation prescribed by K.S.A. 1979 Supp. 79-1947,~~ for mental health services and to pay a portion of the principal and interest

on bonds issued under the authority of K.S.A. ~~1979 Supp.~~ 12-1774, and amendments thereto, by cities located in the county. The respective board or boards of county commissioners may also levy an additional annual tax upon all taxable tangible property in such county, ~~which tax shall not exceed the limitation prescribed by K.S.A. 1979 Supp. 79-1947,~~ for mental retardation services and to pay a portion of the principal and interest on bonds issued under the authority of K.S.A. ~~1979 Supp.~~ 12-1774, and amendments thereto, by cities located in the county. The additional levy authorized by this section for mental retardation services shall not be made until a notice of intent to make such levy has been published in a newspaper of general circulation in the county or counties involved by the board or boards of county commissioners proposing to make such levy, and such notice shall state that if a petition signed by ~~five percent (5%)~~ **5%** of the electors of the county shall file a protest petition within ~~sixty (60)~~ **60** days of the date of such publication a proposition will be submitted at an election called for the purpose in the county for approval of the levy; if such proposition is approved or if no sufficient protest is made, then the board **or boards** of county commissioners shall levy such tax, but if a sufficient protest is made and such proposition is not approved, the levy will not be made. The proceeds thereof shall be placed in the hands of the appropriate governing board to be administered as provided by this act.

In addition thereto, to provide for the purchase of or the construction of facilities for the community mental health center, and/or facility for the mentally retarded, the board or boards of county commissioners may, upon petition of the governing board, levy an annual tax on all taxable tangible property in their county, ~~which tax shall not exceed the limitation prescribed by K.S.A. 1979 Supp. 79-1947,~~ and to issue and sell general obligation bonds of such county, for the purpose of creating and providing a special fund to be used in acquiring a site for, and the building, equipping, repairing, remodeling and furnishing of a community mental health center, and/or facilities for the mentally retarded, or for any one or more of such purposes. The additional levy authorized by this section shall not be made until a notice of intent to make such levy has been published in a newspaper of general circulation in the county or counties involved by the board or boards of county commissioners proposing to make such levy, and such notice shall state that if a petition signed by ~~five percent (5%)~~ **5%** of the electors of the county shall file a protest petition within ~~sixty (60)~~ **60** days of the date of such publication a proposition will be submitted at an election called for the purpose in the county for approval of the levy; if such proposition is approved or if no sufficient protest is made, then the board of county commissioners will make the levy of such tax, but if a sufficient protest is made and such proposition is not approved, the levy will not be made. The board of county commissioners shall proceed in the manner prescribed to be followed in such notice.

~~Said~~ **The** tax levy may be made annually until sufficient funds have been created for ~~said the~~ purpose or purposes, or if the county has issued and sold general obligation bonds, the proceeds raised by the annual tax levy shall be used to retire the general obligation bonds and ~~said the~~ tax levy shall continue until the general obligation bonds have been retired. Such federal, state or private funds as may be available may be accepted by the board of county commissioners to be placed in the fund for operation of or construction of a community mental health center, and/or facility for the mentally retarded, as the case may be. Title to the building or buildings of the community mental health center, and/or facility for the mentally retarded, shall vest in the governing board which is responsible for the maintenance and operation of the facilities if a combination of counties has established the center, but, if only one county has established the mental health center or facilities for the mentally retarded, title shall vest in the board of county commissioners of such county. If the board of county commissioners has contracted with a nonprofit corporation to provide mental health services under K.S.A. 19-4007 ~~or any~~, **and** amendments thereto, the title to ~~said the~~ building or buildings shall vest in the board of county commissioners and they may allow the nonprofit corporation to use the buildings without charge.

Sec. 40. K.S.A. 19-4011 is hereby amended to read as follows: 19-4011. The county commissioners of a county entering into such an agreement with a community mental health center is hereby authorized to levy an annual tax ~~in an amount not to exceed the limitation prescribed by K.S.A. 1979 Supp. 79-1947~~, upon all of the taxable tangible property in such county for the purpose of providing revenue to pay for the mental health services contracted for with the center and to pay a portion of the principal and interest on bonds issued under the authority of K.S.A. ~~1979 Supp. 12-1774~~, and amendments thereto, by cities located in the county. The county commissioners of a county entering into such an agreement with a community facility for the mentally retarded is hereby authorized to levy an annual tax ~~in an amount not to exceed the limitation prescribed by K.S.A. 1979 Supp. 79-1947~~, upon all of the taxable tangible property in such county for the purpose of providing revenue to pay for the mental retardation services contracted for with the facility and to pay a portion of the principal and interest on bonds issued under the authority of K.S.A. ~~1979 Supp. 12-1774~~, and amendments thereto, by cities located in the county. Upon receipt of such tax moneys, the county commissioners shall pay the amount agreed upon to the governing body of the center and/or community facilities for the mentally retarded and ~~said the~~ governing body is authorized to receive and expend such moneys to provide community mental health services.

Sec. 41. K.S.A. 19-4102 is hereby amended to read as follows: 19-4102. The board of county commissioners of any such county may, by

resolution, provide for the establishment of a countywide economic development program and may provide for the financing thereof from its general operating fund, or may levy a tax annually upon all the taxable tangible property of the county ~~in an amount not exceeding the limitation prescribed by K.S.A. 79-1947, and amendments thereto~~, for the purpose of creating a fund therefor and to pay a portion of the principal and interest on bonds issued under the authority of K.S.A. 12-1774, and amendments thereto, by cities located in the county. ~~The tax levy herein authorized shall be in addition to all other levies authorized by law.~~ In any year in which the board of county commissioners of any county shall elect to levy any tax under the authority of this section, such board shall cause a notice of its intention to make such levy to be published in the official newspaper of the county, and if within 30 days next following the date of the publication of such notice a petition, signed by electors equal in number to not less than 5% of the electors of the county, requesting an election thereon, shall be filed in the office of county election officer, no such levy shall be made without such proposition having first been submitted to and having been approved by a majority of the electors of the county voting at an election called and held thereon. Any election held under provisions of this section shall be subject to election laws applicable to elections for approval of bonds issued by such county.

Sec. 42. K.S.A. 65-212 is hereby amended to read as follows: 65-212. The board of county commissioners of any such county may, upon the establishment of such mental health clinic, levy an annual tax ~~in an amount not exceeding the limitation prescribed by K.S.A. 79-1947, and amendments thereto~~, upon all taxable tangible property in such county for the operation of such mental health clinic, and in addition thereto to provide for the construction of facilities for such mental health clinic and to pay a portion of the principal of and interest on bonds issued under the authority of K.S.A. 12-1774, and amendments thereto, by cities located in the county. In addition to the levy authorized for the operation of such mental health clinic, the board of county commissioners may levy an annual tax ~~in an amount not exceeding the limitation prescribed by K.S.A. 79-1947, and amendments thereto~~, on all taxable tangible property in their county and may issue and sell general obligation bonds of such county, for the purpose of creating and providing a special fund to be used in acquiring a site for, and the building, equipping, repairing, remodeling and furnishing of a mental health clinic or for any one or more of such purposes. Such levy may also be used to pay a portion of the principal of and interest on bonds issued under the authority of K.S.A. 12-1774, and amendments thereto, by cities located in the county. Such additional tax levy may be made annually until sufficient funds have been created for such purpose or purposes, or if the county has issued and sold general obligation bonds, the proceeds raised by the annual tax levy shall be used to retire the general obligation bonds and such tax levy shall

continue until the general obligation bonds have been retired. Such federal, state or private funds as may be available may be accepted by the board of county commissioners to be placed in the fund for operation of or construction of a mental health clinic as the case may be. Title to the building or buildings of the mental health clinic shall vest in the board of county commissioners and they may allow the mental health clinic which is subject to the jurisdiction of the joint board of health pursuant to K.S.A. 65-211, and amendments thereto, to use the building without charge. The proceeds thereof shall be placed in the hands of the treasurer of the joint board of health, to be administered as provided by K.S.A. 65-206, and amendments thereto. No levy shall be made under the provisions of this act until a resolution authorizing the making of such levies is passed by the board of county commissioners and published in three successive issues in a newspaper of general circulation within the county, whereupon such levies may be made unless a petition in opposition to the same, signed by electors equal in number to not less than 10% of the qualified electors of such county who voted for the office of secretary of state in the last preceding election, is filed with the county clerk of such county within 30 days following the last publication of such resolution.

In the event such petition is filed it shall be the duty of the board of county commissioners to submit the question to the voters at an election called for such purpose or at the next general election. None of the debt limitations prescribed by law for any such county shall apply to any bonds issued under the authority conferred by this act. The provisions of this act shall be supplemental to other existing health laws in the counties affected thereby, but shall in no way abrogate or amend any such other existing health laws.

Sec. 43. K.S.A. 68-166 is hereby amended to read as follows: 68-166. The board of county commissioners shall pay any expense incurred under the authority conferred by this act from the general fund, road fund, bridge fund or road and bridge fund of the county. If such board shall deem it necessary, in order to provide sufficient revenue for the purpose of installing, maintaining and operating any such lighting system, it is hereby authorized to levy an annual tax in an amount not to exceed the limitation prescribed by K.S.A. 79-1947, on all the taxable tangible property in such county for the purpose of providing revenue for such purposes and to pay a portion of the principal and interest on bonds issued under the authority of K.S.A. 12-1774, and amendments thereto, by cities located in the county. ~~Such tax levy shall be in addition to all other tax levies authorized or limited by law and shall not be subject to or within the aggregate tax levy limitation prescribed by K.S.A. 79-1947 or acts amendatory thereof.~~ All moneys derived from such tax levy except an amount to pay a portion of the principal and interest on bonds issued under the authority of K.S.A. 12-1774, and amendments thereto, by cities

located in the county shall be placed in a special fund by the county treasurer and shall ~~only~~ be used *only* for the purposes for which the tax was levied.

Sec. 44. K.S.A. 68-582 is hereby amended to read as follows: 68-582. The board of any county and the governing body of any city may by resolution propose the designation as a secondary arterial highway any existing street (or a portion thereof), or a proposed new street within a city in such county which is or would be a connecting link between county roads and may enter into an agreement providing for the cooperative financing of the construction, reconstruction, maintenance and repair of such proposed secondary arterial highway under such terms as the board and governing body shall agree upon. Such designation and agreement shall set out the secondary arterial highway designation and its location, a general description of the proposed improvement and an estimate of the total cost thereof to each such city and county exclusive of any grants from any other public agency, and shall become effective upon publication by the city in its official newspaper and by the county in its official newspaper. Such agreement may be part of an agreement between the secretary of transportation, the county and the city. Any such agreement shall provide for sharing the costs of engineering and construction or other improvement of the designated secondary arterial highway, and for future maintenance by the city or by the county, upon such terms as the board and governing body may agree. The board and governing body of any county and city which have entered into such agreements may use any public funds available to such county or city for the construction, improvement or maintenance of such secondary arterial highway in like manner as if it were a normal county road or a city street, may each issue bonds as provided in K.S.A. 68-584, *and amendments thereto* and may each levy an annual tax upon the assessed tangible valuation in such county or city ~~not to exceed the limitations prescribed by K.S.A. 79-1947, 79-1948, 79-1949, 79-1950, 79-1951, 79-1952 and 79-1953~~ for such purpose and to pay a portion of the principal and interest on bonds issued under the authority of K.S.A. 12-1774, and amendments thereto, by cities located in the county.

Sec. 45. K.S.A. 73-407 is hereby amended to read as follows: 73-407. The management and control of a county building shall be vested in a board of three trustees to be appointed by the county commissioners, and if a city building, shall be appointed by the mayor of ~~said~~ *the* city. Such trustees shall be residents of the county or city wherein the building is located except that at least two of ~~said~~ *the* trustees shall have seen service in the army, navy or marine corps of the United States in time of war. One trustee shall be appointed for one year, one trustee for two years and one trustee for three years, and thereafter each trustee shall be appointed for three years. ~~Said trustee~~ *Trustees* shall serve without com-

pensation and shall make annual reports and recommendations to the proper county and the city officials.

The expense of maintenance of ~~said~~ **the** memorial shall be paid out of the general fund of the county or city, or ~~in case the same shall not be sufficient, shall be paid out of a special fund which shall be created, for which the counties.~~ **Counties** or cities are authorized to make a levy upon all taxable tangible property in the county or city in an amount not exceeding the limitation prescribed by K.S.A. 79-1947, 79-1948, 79-1949, 79-1950, 79-1951, 79-1952 and 79-1953 for such purpose and to pay a portion of the principal and interest on bonds issued under the authority of K.S.A. 12-1774, and amendments thereto, by cities located in the county; and in counties having a population of more than seventeen thousand (17,000) and less than twenty-two thousand (22,000), which contain a first-class city, tax levy shall be in addition to all other levies authorized or limited by law and shall not be subject to nor within any aggregate levy prescribed by article 19 of chapter 79 of the Kansas Statutes Annotated, and any acts amendatory thereof. The board of trustees shall have full authority to lease all or any part of ~~said~~ **the** building for hire to any person or persons desiring to lease the same for a term not to exceed one year at a time and fix the rate and terms upon which the charge shall be made and collected therefor. The board of trustees of any such memorial in any city of the second class located in a county with a population of not less than twelve thousand (12,000) **12,000** and not more than fifteen thousand (15,000) **15,000** and having an assessed tangible valuation of not less than thirty-two million dollars (\$32,000,000) **\$32,000,000** and not more than thirty-five million dollars (\$35,000,000) **\$35,000,000** is hereby authorized to lease all or any part of ~~said~~ **the** memorial to the Kansas national guard for a term of not to exceed ~~ten (10)~~ **10** years and to fix the rate and terms upon which the charge shall be made and collected therefor. The board of trustees of any such memorial in any city having a commission form of government, and a population of more than one hundred fifty thousand (150,000) **150,000**, shall have full authority to lease any suitable portion or portions of ~~said~~ **the** building to any concessionaire desiring to lease the same, for a term of not to exceed ~~ten (10)~~ **10** years, and to fix the rate and terms upon which the charge shall be made and collected therefor.

Sec. 46. K.S.A. 76-326a is hereby amended to read as follows: 76-326a. The boards of county commissioners of the several counties of this state are hereby authorized to contribute in the aid of work authorized by section 7 of chapter 48 of the 1919 Kansas Session Laws (now included by reference in K.S.A. 76-326) **K.S.A. 76-326, and amendments thereto**, under the ~~directions~~ **direction** of the state geologist; ~~such amounts from the general revenue fund of their counties as they may determine or from the proceeds of a special tax levy in an amount not to exceed the limitation prescribed by K.S.A. 79-1947, which said.~~ **Such** boards are hereby au-

thorized to make *a tax levy* for said *such* purpose and to pay a portion of the principal and interest on bonds issued under the authority of K.S.A. 12-1774, and amendments thereto, by cities located in the county ~~in addition to all other tax levies provided by law and outside any aggregate levy limit prescribed by article 19 of chapter 79 of the Kansas Statutes Annotated. No such contribution shall be made by any county to said work in any one year to an amount that will exceed one-tenth of one mill upon the dollar of the assessed tangible valuation of such counties.~~

Sec. 47. K.S.A. 82a-308 is hereby amended to read as follows: 82a-308. Any expenses incurred in removing such obstructions as are mentioned in K.S.A. 82a-307 *and amendments thereto*, or damage to private property, shall be paid out of the general fund of the respective counties but if it shall appear that the obstructions were caused by owners of adjoining property, the expenses shall be charged to the adjoining property as a special tax to be levied and collected as other special taxes and assessments. In the event that the general fund of any county shall not be sufficient to bear the cost of the operations mentioned in this section, including the maintenance of such streams or watercourses, then the board of county commissioners of such county may levy an annual tax ~~not to exceed the limitation prescribed by K.S.A. 79-1947,~~ upon all property in said *the* county for the purpose of creating a fund known as "stream maintenance fund" from which fund the costs and expenses of the operation herein provided for shall be paid and for the purpose of paying a portion of the principal and interest on bonds issued under the authority of K.S.A. 12-1774, and amendments thereto, by cities located in the county.

Sec. 48. K.S.A. 12-1403 is hereby amended to read as follows: 12-1403. For the purpose of providing a fund to obtain land for cemetery purposes, the township trustees shall have authority to levy a tax ~~not exceeding the limitation prescribed by K.S.A. 79-1962, in any one year upon all of the taxable tangible property in such township, to be levied and collected as other taxes for township purposes are levied and collected. The funds derived from such tax shall not be applied to any purpose other than the object of the levy.~~

Sec. 49. K.S.A. 12-1405 is hereby amended to read as follows: 12-1405. All cities owning and controlling municipal cemeteries, are hereby authorized to make an annual levy of a tax upon all taxable tangible property in the city and townships, owning and controlling municipal or township cemeteries are hereby authorized to make an annual levy of a tax upon all taxable tangible property in the city or township to be expended in making permanent improvements in such cemeteries and upkeep of the same and, in the case of cities, to pay a portion of the principal and interest on bonds issued by such city under the authority of K.S.A. 12-

1774, and amendments thereto. ~~The tax levies herein authorized for townships shall not exceed the limitation prescribed by K.S.A. 79-1962 and shall be in addition to all other tax levies authorized or limited by law and shall not be subject to or within any aggregate tax levy limit prescribed by K.S.A. 79-1962 or any amendments thereto.~~

Sec. 50. K.S.A. 19-807d is hereby amended to read as follows: 19-807d. The township board in any township which is located in a county in which is located a city having a population in excess of ~~one hundred thousand (100,000)~~ **100,000** is hereby authorized to contribute funds to the county for the purpose of providing sheriff's deputies in addition to those otherwise provided, for the purpose of providing additional police protection within such township and for the purpose of providing and maintaining motorized equipment and radio equipment therefor. The township board shall have power to determine the amount of such contribution and the conditions under which such contributions shall be made.

When the township board informs the sheriff that such board intends to make a contribution pursuant to this section, the sheriff and the township board shall enter into an agreement within ~~twenty (20)~~ **20** days thereafter, which agreement shall specify the additional police protection to be provided and the funds to be contributed. Any and all such agreements relating to contribution of funds shall be by and between the township board and the sheriff with the approval of the board of county commissioners. For the purpose of providing funds to make such contributions, the township board is ~~hereby authorized and empowered~~ to levy annually a ***an annual*** tax ~~not to exceed the limitation prescribed by K.S.A. 79-1962,~~ upon all taxable tangible property in such township ~~and such tax shall be in addition to all other levies authorized or limited by law and shall not be subject to, or within the aggregate tax levy limits prescribed by K.S.A. 79-1962 and acts amendatory thereto.~~

Sec. 51. K.S.A. 68-518c is hereby amended to read as follows: 68-518c. **(a)** The township board of any township located in a county not operating under the county road unit system, is hereby authorized to make an annual tax levy, ~~in addition to all other tax levies now or otherwise authorized by law,~~ ***of not to exceed five mills*** for road purposes ~~in an amount which will be sufficient, when added to other revenues available for such purposes, to finance the adopted budget of expenditures for road purposes. Except as otherwise hereinafter provided, the annual tax levy made under the authority conferred by this section shall not exceed the limitation prescribed by K.S.A. 79-1962.~~

(b) The township board of any such township desiring to levy an annual tax for road purposes ~~in an amount exceeding the limitation prescribed by K.S.A. 79-1962, but in an amount not exceeding eight mills,~~

increase the authorized limit existing on the effective date of this act may adopt a resolution authorizing such levy and shall publish the same once each week for three consecutive weeks in a newspaper of general circulation in the township. If within ~~thirty~~ 30 days after the date of the last publication of such resolution a petition, signed by electors of the township equal in number to not less than ~~ten percent~~ 10% of the qualified electors of the township who voted for the office of governor at the last general election for such office, is filed in the office of the county election officer no such increased levy shall be made without having been approved by a majority of the electors of the township voting at an election called and held thereon. All elections held under the provisions of this section shall be called and held in the manner prescribed by K.S.A. 10-120, and amendments thereto.

~~Such additional tax levy (c) Taxes imposed under this section shall be levied on all the taxable tangible property in the township outside of incorporated cities, and such tax levy shall not be subject to or within any aggregate tax levy limit prescribed by K.S.A. 79-1962, or acts amendatory thereof or supplemental thereto, and the moneys derived therefrom shall be used for the construction, reconstruction, improvement, repair and maintenance of township roads and culverts.~~

Sec. 52. K.S.A. 80-115 is hereby amended to read as follows: 80-115. The township board of any township which has a township hall, or which uses part of a township water department building or township fire department building as its township hall, is hereby authorized and empowered to levy an annual tax ~~in an amount not to exceed the limitation prescribed by K.S.A. 79-1962, and amendments thereto,~~ on the taxable tangible property in such township, to provide a special fund for the purpose of **acquiring**, repairing, equipping and maintaining such township hall, ~~or to be used in purchasing and moving, or constructing a building and acquiring a site for, and the furnishing and equipping of any such building, or a part of any site or building in conjunction with a site or building for other township uses. No levy shall exceed a rate, which multiplied by the total assessed tangible valuation of the township will result in producing more than the amount prescribed by K.S.A. 79-1962, and amendments thereto, in any one year. Any unexpended balance remaining in such special fund at the end of any fiscal year of the township may be retained in such special fund and be expended in future years for any of the purposes herein enumerated.~~

Sec. 53. K.S.A. 80-119 is hereby amended to read as follows: 80-119. Whenever no-fund warrants are issued under the authority of this act the township board shall make a tax levy or levies sufficient to pay such warrants and the interest thereon. Such warrants may mature serially at such yearly dates as to be payable by not more than five ~~(5)~~ tax levies. ~~All such~~

~~tax levies shall be in addition to all other levies authorized or limited by law and shall not be subject to the aggregate tax levy limitation prescribed in article 19 of chapter 79 of the Kansas Statutes Annotated and amendments thereto. Such warrants shall be issued, registered, redeemed and bear interest in the manner and be in the form prescribed by K.S.A. 79-2940, or any *and* amendments thereto, except they shall not bear the notation required by *said such* section and may be issued without the approval of the state board of tax appeals.~~

Sec. 54. K.S.A. 80-808 is hereby amended to read as follows: 80-808. The township board of any township which maintains and operates a township library which is known as a Carnegie library is hereby authorized and empowered to issue no-fund warrants in an amount not exceeding ~~four thousand dollars (\$4,000)~~ **\$4,000** for the purpose of providing funds for the repair and reconstruction of the Carnegie library building of such township. Whenever any township board shall issue warrants under the provisions of this section ~~said, *such*~~ board shall make a tax levy at the first tax levying period after such warrants are issued sufficient to pay the same and the interest thereon. ~~Provided, That. If the township board shall deem *deems*~~ it advisable not to make all of such levy in any one year, then ~~said *such*~~ township board may make an annual tax levy at not more than the next three (3) tax levying periods occurring after the issuance of such warrants, the total of which levies shall be sufficient to pay ~~said *such*~~ warrants and the interest thereon. The warrants shall be issued, registered, redeemed and bear interest in the manner and be in the form prescribed by K.S.A. 79-2940, ~~and amendments thereto~~, except that such warrants shall not bear the notation required by ~~said section *K.S.A. 79-2940, and amendments thereto*~~, and may be issued without the approval of the state board of tax appeals, and any surplus existing after the issuance of ~~said *such*~~ warrants shall be handled in the manner prescribed by ~~said section *K.S.A. 79-2940, and amendments thereto*~~. Such township board is hereby authorized and empowered to expend all moneys raised by no-fund warrants issued under the provisions of this section although such expenditures were not included in the budget for the year in which such warrants were issued. ~~The tax levy herein authorized shall be in addition to all other tax levies authorized or limited by law and shall not be subject to or within the aggregate tax levy limit prescribed by K.S.A. 79-1962.~~

Sec. 55. K.S.A. 80-903 is hereby amended to read as follows: 80-903. Any township issuing bonds under this act shall annually levy a tax sufficient to pay the interest thereon, and after five (5) years an amount sufficient to create a sinking fund to pay the principal at maturity; and any township purchasing or acquiring or acting as trustee for grounds for a park or parks, or cemetery or cemeteries is empowered and authorized to annually levy and collect a tax, ~~not exceeding the limitation prescribed by K.S.A. 79-1962, in any one (1) year~~ to provide a fund for the purpose

of meeting the annual expense of such grounds, and such other improvements as the township board ~~may deem~~ **deems** necessary.

Sec. 56. K.S.A. 80-932 is hereby amended to read as follows: 80-932. The township board of any township is hereby authorized and empowered to levy an annual tax ~~in an amount not to exceed the limitation prescribed by K.S.A. 79-1962,~~ on all taxable tangible property in such townships, including such property of cities of the third class, for the purpose of providing funds to be used for the care and maintenance of cemeteries in such townships for which no provision is made by law for the levying of taxes for such care and maintenance, ~~or said township board may expend a sum not to exceed fifty dollars (\$50) per year from the general fund of the township in lieu of said levy.~~ The tax levy herein authorized shall be in addition to all other tax levies authorized by law and shall not be subject to the aggregate tax levy limit prescribed by K.S.A. 79-1962 or any amendments thereto.

Sec. 57. K.S.A. 80-1417 is hereby amended to read as follows: 80-1417. The governing body of any city of the third class having a population of not to exceed ~~three hundred (300)~~ **300**, located within a township having a township hall and in a county with a population of not less than ~~forty-five hundred (4,500)~~ **4,500** nor more than ~~fifty-five hundred (5,500)~~ **5,500** is hereby authorized and empowered to enter into a contract with the township board of ~~said~~ **the** township for the joint ownership, maintenance, repair, remodeling, and equipping of ~~said~~ **the** township hall. ~~Provided, That,~~ **but** before such an agreement may be entered into, a petition signed by at least ~~fifty percent (50%)~~ **50%** of the residents of ~~said~~ **such** city as determined by the total vote cast for secretary of state at the last preceding election, shall be submitted to the governing body of ~~said~~ **such** city requesting that such a contract be entered into. When the governing body determines that such petition is proper, ~~they~~ **the governing body** shall then adopt a resolution authorizing the city to enter into such a contract.

The township board, upon receipt of such resolution, shall meet and if they determine **determined** that a contract should be entered into, the board shall adopt a resolution authorizing such contract. Thereafter, the governing body of the city and the township board are authorized to enter into a contract, which contract shall provide that the township hall shall be under the joint ownership of the city and township and shall be maintained, remodeled, equipped and kept in repair jointly by ~~said~~ **such** township and city. ~~Said~~ **The** contract shall be approved by a majority of the governing body of the city and of the township board.

After ~~said~~ **the** contract has been entered into, the township board is authorized and empowered to levy an annual tax ~~for the years 1951 and~~

~~1952 of not to exceed five (5) mills, and thereafter, an annual tax of not to exceed two (2) mills on the dollar on all of the taxable tangible property of *said such* cities of the third class for the purpose of providing funds to be used for the maintenance, equipping, remodeling and repair of *said the* township hall. *Said tax levies shall be in addition to all other tax levies authorized or limited by law and shall not be subject to any aggregate tax levy limits prescribed by article 19 of chapter 79 of the General Statutes of 1949.*~~

Sec. 58. K.S.A. 80-1503 is hereby amended to read as follows: 80-1503. (a) Townships are hereby authorized and empowered to levy a special tax not to exceed one mill on all tangible property in the township not including a corporate city in a sufficient amount to join with a municipality or township for the purposes as provided in K.S.A. 80-1501, and amendments thereto, or to pay the compensation agreed upon by contract under authority of K.S.A. 80-1502, and amendments thereto.

(b) The township board, by adopting the appropriate resolution, may levy a tax of more than one mill for the purposes authorized by subsection (a). Any resolution increasing the amount of the tax currently levied by the township board and any subsequent increase thereof shall be published once each week for two consecutive weeks in a paper of general circulation within the township. The township board may make such levy unless, within 30 days following final publication of the resolution, a protest petition signed by 10% of the qualified voters of the township is filed with the township clerk. If a sufficient petition is filed, such additional tax shall not be levied until approved by a majority of the voters voting at an election thereon. Such election shall be called and held in the manner provided by the general bond law. If a levy is imposed pursuant to this subsection, no other levies for the purposes authorized by subsection (a) shall be made on such property.

(c) Counties are hereby authorized and empowered to levy an annual tax ~~of not to exceed 1/2 mill on the dollar~~ on all the taxable tangible property in such county for the purposes as provided in K.S.A. 80-1501, and amendments thereto, or to pay the compensation agreed upon by contract under authority of K.S.A. 80-1502, and amendments thereto, and to pay a portion of the principal and interest on bonds issued under the authority of K.S.A. 12-1774, and amendments thereto, by cities located in the county.

~~Such tax levy shall be in addition to all other tax levies authorized or limited by law and shall not be subject to the aggregate tax levy limit prescribed by K.S.A. 79-1947, and amendments thereto.~~

Sec. 59. K.S.A. 80-1509 is hereby amended to read as follows: 80-1509. The township board shall annually ~~provide for the levying of a tax~~

~~of not to exceed .50 mills levy a tax upon the tangible taxable property in said *such* benefit district and within the township sufficient to pay the compensation agreed upon in the contract with the municipality. Such tax levy shall be in addition to all other tax levies authorized or limited by law and shall not be subject to any of the limitations prescribed by K.S.A. 79-1962 or acts amendatory thereof or supplemental thereto.~~

Sec. 60. K.S.A. 80-1537 is hereby amended to read as follows: 80-1537. Annual tax levies may be made by such township ~~in an amount not to exceed the limitation prescribed by K.S.A. 79-1962~~, on all the taxable tangible property of the township, including such property of the city which is a party to such agreement. ~~Such levy shall be in addition to all other levies authorized by law and shall be outside the aggregate levy limitations provided in K.S.A. 79-1962, and acts amendatory thereof or supplemental thereto.~~

Sec. 61. K.S.A. 80-1806 is hereby amended to read as follows: 80-1806. Any township or townships of the urban class in the state of Kansas is hereby authorized and empowered to make a tax levy in such amount as may be necessary in order to provide the necessary funds for the payment of the township share of registration and election expenses. ~~Such tax levy shall be in addition to all other tax levies authorized or limited by law and the provisions of K.S.A. 79-1962 and 79-1962a, or any amendments thereto, shall not be applicable to such tax levy.~~ All money raised by such tax levy shall be credited by the county treasurer to a special fund and the county shall be reimbursed from such fund for the registration and election expenses which it has paid on behalf of such township, but if there be an insufficient amount in such fund to pay the cost chargeable to such township, the county shall be reimbursed for the remainder from the township general fund. If the township does not make the levy authorized by this act, then the county shall be reimbursed for registration and election expenses paid on behalf of such township from the township general fund. No money raised under the tax levy authorized by this act shall be withdrawn from the county treasury by the township and if there be a balance existing therein after the payment of registration and election expenses for any year, the same shall be held in the county treasury to the credit of such township and used to pay registration and election expenses incurred in subsequent years.

Sec. 62. K.S.A. 80-1903 is hereby amended to read as follows: 80-1903. The township board of any such township shall have power to levy a tax ~~not exceeding the limitation prescribed by K.S.A. 79-1962, and amendments thereto~~, upon all taxable tangible property within such township, for the purpose of paying the expense of providing rescue service and equipping, operating and maintaining such fire department or contracting with another fire department for the furnishing of rescue service

or fire protection. Such tax levy shall be in addition to all other tax levies authorized or limited by law. In any county having a population of more than 150,000 and less than 250,000 the township levy herein authorized shall not exceed the limitation prescribed therefor by K.S.A. 79-1962, and amendments thereto, on all taxable tangible property of the township, for the purposes specified in this section. The tax levy shall be in addition to all other tax levies authorized or limited by law.

Sec. 63. K.S.A. 80-1909 is hereby amended to read as follows: 80-1909. In any township where a township fire department has been created under the provisions of this act, the township board shall have authority, subject to an election as hereinafter provided, to issue bonds for the purpose of purchasing land, constructing or purchasing buildings to be used as fire stations, constructing or purchasing fire equipment and supplies and for the payment of other necessary expenses incident thereto. Before any such bonds are issued, the question of their issuance shall be submitted to the voters of such township at a general or special election to be called by the township board by resolution and to be held under the provisions of article 1, chapter 10 of the Kansas Statutes Annotated, and the affirmative vote of a majority of the votes cast at such election shall be sufficient to authorize the issuance of such bonds.

The township board may also submit, at such election, the question whether the tax levy provided in K.S.A. 80-1903 hereof, ***and amendments thereto***, shall be in excess of the aggregate tax limitations provided for townships by K.S.A. 79-1962 and any other limitations provided by law ***two mills, or four mills for townships in counties having a population of more than 150,000 and less than 250,000***, and if a majority of the votes cast at such election shall be in the affirmative, the township board shall thereafter be authorized to make such levy without regard to such limitations. The expense of any special election called under the provisions hereof may be paid out of the proceeds of the bond issue, if such bonds shall be authorized at such election, otherwise from the general fund of the township: ~~Provided, however, That~~. Only a single election board shall serve in any precinct at any such special election.

Sec. 64. K.S.A. 80-1916 is hereby amended to read as follows: 80-1916. Any such township may create a township fire department to furnish fire protection within such township and such fire department shall be operated under the direction of the township board and ~~said~~ ***such*** board shall have power to levy an annual tax ~~not to exceed the limitation prescribed by K.S.A. 79-1962~~, on all the taxable tangible property in such township, for the purpose of paying the expenses of equipping, operating and maintaining such fire department. ~~Said tax levy shall be in addition to all other tax levies authorized or limited by law and shall not be subject to the aggregate tax levy limit prescribed by K.S.A. 79-1962, or acts amen-~~

datory thereof.

Sec. 65. K.S.A. 80-1920 is hereby amended to read as follows: 80-1920. Subject to the provisions of K.S.A. ~~1986 Supp. 19-270~~, **and amendments thereto**, and upon the presentation of such petition, the township board of any such township shall create a township fire department. Such township board is hereby authorized and empowered to purchase fire-fighting equipment for the use of the fire department and to provide buildings for the housing and storage of the same. For the purpose of raising funds to pay the cost of such equipment and housing facilities, the township board is hereby empowered to issue no-fund warrants in an amount not exceeding \$12,000. After the issuance of such no-fund warrants, the township board shall make a tax levy at the first tax-levying period after such warrants are issued, sufficient to pay such warrants and the interest thereon. In lieu of making only one tax levy, such board, if it deems it advisable, may make a tax levy each year for not to exceed five years in approximately equal installments for the purpose of paying the warrants and the interest thereon.

All such tax levies shall be in addition to all other levies authorized or limited by law and shall not be subject to the aggregate tax levy limitation prescribed by K.S.A. 79-1962, and amendments thereto. Such warrants shall be issued, registered, redeemed and bear interest in the manner and be in the form prescribed by K.S.A. 79-2940, and amendments thereto, except they shall not bear the notation required therein and may be issued without the approval of the board of tax appeals. Any surplus existing after the redemption of the warrants shall be handled in the manner prescribed by K.S.A. 79-2940, and amendments thereto. None of the provisions of the cash-basis and budget laws of this state shall apply to any expenditures made, the payment of which has been provided for by the issuance of such no-fund warrants.

Sec. 66. K.S.A. 80-1921 is hereby amended to read as follows: 80-1921. The township board of any such township shall have full direction and control over the operation of such township fire department and shall provide for the organization of volunteer members of such department, to be compensated at a specified rate when attending fires, and may provide special clothing and equipment for such volunteers, and may insure such volunteers against accidental death and injury in the performance of their duties, and may do all other things necessary or desirable to maintain and operate such department so as to furnish fire protection to the inhabitants of such township. Such township board may levy an annual tax of not to exceed the limitation prescribed by K.S.A. 79-1962, and amendments thereto, on all the taxable tangible property in such township for the purpose of paying the expenses of equipping, operating and maintaining such fire department. Any tax levy authorized by this

section shall be in addition to all other tax levies authorized or limited by law and shall not be subject to the aggregate tax levy limit prescribed by K.S.A. 79-1962, and amendments thereto, and shall be in addition to the tax levy made to pay for no-fund warrants issued pursuant to K.S.A. 80-1920, and amendments thereto. Except as otherwise specifically provided in this act, the provisions of K.S.A. 80-1906 and 80-1907, and amendments thereto, shall apply to townships adopting the provisions of this act.

In addition to the tax levy herein authorized, the township board of Kickapoo, Tonganoxie, Easton, Fairmount, Sherman and Delaware townships located in Leavenworth county may levy an annual tax of not to exceed two mills on all the taxable tangible property in such township for the purpose of purchasing additional equipment for such fire department. If a petition in opposition to the tax levy authorized herein, signed by not less than 5% of the qualified electors of such township is filed with the township board of such township, within 40 days after the effective date of this act, the tax levy shall not be made unless first approved as a question submitted at the next general election or at a special election called for the purpose of submitting the question. If such a petition is filed, the township board may cause to be placed on the ballot at the next general election the question of whether such tax shall be levied. If a majority of the votes cast and counted at such election are in favor of the resolution, such governing body may levy the tax authorized herein. Upon this act taking effect it shall be published once each week for two consecutive weeks in a newspaper having general circulation in the township.

Sec. 67. K.S.A. 80-1924 is hereby amended to read as follows: 80-1924. The governing body of the benefit district shall annually provide for the levying of a tax of not to exceed one-half (1/2) mill upon the taxable tangible property in such benefit district and within the township sufficient to pay the compensation agreed upon in the contract with the township maintaining the fire department. ~~Such tax levy shall be in addition to all other tax levies authorized or limited by law and shall not be subject to the aggregate tax levy limitation prescribed by K.S.A. 79-1962 or acts amendatory thereof or supplemental thereto.~~

Sec. 68. K.S.A. 80-2006 is hereby amended to read as follows: 80-2006. (a) Whenever authorized by an election as herein provided, the costs and expenses of constructing such main, intercepting and outfall sewers and appurtenances, with or without sewage-disposal plant, as above provided, together with the cost of acquiring land, engineering, appraisers, legal and other incidental expense, excepting only such part of the cost as may be borne by grant from the federal government, shall be assessed against the lots and pieces of ground contained within the sewage district, and shall be levied and collected as one tax, in addition

to the other taxes and assessments, and shall be certified by the governing body of such sewage district to the county clerk, and be placed by ~~him or her~~ *such clerk* upon the tax roll for collection, subject to the same penalties, entitled to the same rebates, and collected in the same manner as other taxes. ~~Provided, That.~~ The governing body may, in its discretion, provide for the payment of the cost thereof by installments instead of levying the entire tax or special assessment for such cost at one time; and for such installments, they may issue bonds of the sewage district, which bonds may mature serially or otherwise during a period of not more than ~~twenty-five~~ **25** years from the date of issuance, and, except as herein provided, shall be subject to all of the provisions of article 1, chapter 10, of the Kansas Statutes Annotated. Any bonds issued for such purposes shall be in addition to and may exceed the limits of bonds for any other purposes as provided by law.

(b) ~~That~~ If the county planning board and the board of county commissioners of any county in which a township sewage district has been created pursuant to the act of which this section is amendatory, each shall declare by resolution that a main, intercepting, or outfall sewer system or systems of such district, the plans and specifications of which have been finally approved, as provided in K.S.A. 80-2004, *and amendments thereto*, to be of public utility and necessary for the growth and needs of said county and necessary for the protection of the public health, the bonds issued under the authority of subsection (a) ~~of this section~~ shall be, in addition to being obligations of the township sewage district, general obligations of the county. In case of default in the payment of such bonds or the interest thereon by the sewage district, the board of county commissioners of the county in which such sewage district is located shall levy a tax on the tangible property in such county sufficient to pay such bonds and interest, ~~which tax levy shall be in addition to all other tax levies authorized or limited by law and shall not be subject to or within the aggregate tax levy limit prescribed by K.S.A. 79-1947 or acts amendatory thereof or supplemental thereto.~~

No statute limiting the amount of bonded indebtedness of any county shall apply to any bonds issued under the authority of this section and such bonds shall not be considered in applying any statute limiting bonded indebtedness.

Sec. 69. K.S.A. 80-2021 is hereby amended to read as follows: 80-2021. The governing body of such sewage district shall have authority to ~~and shall levy an annual tax which shall not exceed ten mills upon the dollar of assessed valuation of all real property~~ *upon taxable tangible property* within such sewage district, for the purpose of paying the expense of operation and maintenance of the sewage system within such district; ~~and may use the proceeds of such tax for the maintenance of all sewers~~

in such district, including lateral sewers, however constructed, for the operation of sewage disposal plant; and for the payment to any adjoining city or township, with which such sewage district may have contracted for the disposal of sewage, of the contract price therefor, and for all other expense incident to the operation and maintenance of such sewage system.

Whenever a sewage district has made tax levies as authorized by this act and has accumulated a fund for the operation and maintenance of the sewage system and has contracted with an adjacent city or township for the disposal of sewage and other expenses incidental to the operation and maintenance of such sewage system and when such district has accumulated unexpended funds which are no longer necessary for the operation and maintenance of such system, the governing board of the sewage district may transfer the whole or any portion of such accumulated and unexpended funds to the township road fund or the fire department fund or to the general fund of the township in which the sewage district was established. All levies of taxes authorized in this act shall be in addition to all other levies authorized or limited by law, and the provisions of K.S.A. 79-1962, and any other limitations provided for township tax levies, shall not be applicable thereto.

Sec. 70. K.S.A. 80-2201 is hereby amended to read as follows: 80-2201. The township board of any township, having a population of more than seven thousand five hundred ~~(7,500)~~ **7,500** and located in a county adjoining two cities either within or without the state each of which has a population in excess of one hundred twenty thousand ~~(120,000)~~ **120,000**, if by resolution ~~they deem~~ **the township board deems** it necessary to protect the public health and welfare of the inhabitants of such township, may acquire land by lease, purchase, or under the provisions of K.S.A. 26-501 to 26-516, inclusive, **and amendments thereto**, by condemnation, within or without such township, to be used for the disposal of trash and garbage collected from the inhabitants of such township. For the purpose of acquiring such land and maintenance thereof, a tax levy ~~in an amount not to exceed the limitation prescribed by K.S.A. 79-1962, on all taxable tangible property may be made for the first year, and thereafter a levy not to exceed the limitation prescribed therefor by K.S.A. 79-1962, on all taxable tangible property may be made annually, which said levies and each of them shall be in addition to and outside of any other limit or aggregate limit fixed by law for such township.~~ The funds derived from such levies shall be placed in a fund known as the "garbage and trash fund" and be used only for the purpose of this act **the garbage and trash fund**.

Sec. 71. K.S.A. 80-2204 is hereby amended to read as follows: 80-2204. Whenever the township board of any township located in a county

having a population of more than ~~fifty-five thousand (55,000)~~ **55,000** and less than ~~one hundred thousand (100,000)~~ **100,000** finds and determines by resolution ~~that~~ it is necessary to acquire a site or sites for the disposal of garbage, rubbish and trash within or without the township, if ~~the township board~~ **the township board** may acquire such site or sites by gift, purchase or condemnation and may construct necessary facilities thereon and purchase necessary equipment for the disposal of such garbage, rubbish and trash. In the event the township board of any such township finds ~~that~~ it is necessary to acquire such site or sites by condemnation the governing body of the county shall proceed under the provisions of chapter 26 of the Kansas Statutes Annotated, and all acts amendatory thereof and supplemental thereto, or in substitution thereof. Whenever any such township shall so condemn such a site or sites, such township shall acquire a fee simple title thereto.

In order to pay for such site or sites and the construction of all necessary facilities and equipment to be used in the disposal of garbage, rubbish and trash, the township board of such township is authorized to issue general obligation bonds of the township in the manner provided by the general bond law. Whenever such a site has been acquired, the township board may pay the cost of the operation and maintenance of the same from the general fund of the township or it may levy a special tax therefor ~~at a rate not to exceed the limitation prescribed by K.S.A. 79-1962~~, on all taxable tangible property of the township. Any two ~~(2)~~ or more of such townships may join in the acquisition of a site or sites for the disposal of garbage, rubbish and trash and the operation and maintenance of ~~said~~ **such** sites as heretofore provided in this section; and the township boards of such townships are hereby authorized and empowered to enter into agreements for such purposes.

New Sec. 72. In 1999, and in each year thereafter, all existing statutory fund mill levy rate and aggregate levy rate limitations on taxing subdivisions are hereby suspended.

Sec. 73. K.S.A. 1998 Supp. 79-201a is hereby amended to read as follows: 79-201a. The following described property, to the extent herein specified, shall be exempt from all property or ad valorem taxes levied under the laws of the state of Kansas:

First. All property belonging exclusively to the United States, except property which congress has expressly declared to be subject to state and local taxation.

Second. All property used exclusively by the state or any municipality or political subdivision of the state. All property owned, being acquired pursuant to a lease-purchase agreement or operated by the state or any municipality or political subdivision of the state, including property which

is vacant or lying dormant, which is used or is to be used for any governmental or proprietary function and for which bonds may be issued or taxes levied to finance the same, shall be considered to be used exclusively by the state, municipality or political subdivision for the purposes of this section. The lease by a municipality or political subdivision of the state of any real property owned or being acquired pursuant to a lease-purchase agreement for the purpose of providing office space necessary for the performance of medical services by a person licensed to practice medicine and surgery or osteopathic medicine by the board of healing arts pursuant to K.S.A. 65-2801 et seq., and amendments thereto, dentistry services by a person licensed by the Kansas dental board pursuant to K.S.A. 65-1401 *et seq.*, and amendments thereto, optometry services by a person licensed by the board of examiners in optometry pursuant to K.S.A. 65-1501 *et seq.*, and amendments thereto, or K.S.A. 74-1501 *et seq.*, and amendments thereto, podiatry services by a person licensed by the board of healing arts pursuant to K.S.A. 65-2001 *et seq.*, and amendments thereto, or the practice of psychology by a person licensed by the behavioral sciences regulatory board pursuant to K.S.A. 74-5301 *et seq.*, and amendments thereto, shall be construed to be a governmental function, and such property actually and regularly used for such purpose shall be deemed to be used exclusively for the purposes of this paragraph. The lease by a municipality or political subdivision of the state of any real property, or portion thereof, owned or being acquired pursuant to a lease-purchase agreement to any entity for the exclusive use by it for an exempt purpose, including the purpose of displaying or exhibiting personal property by a museum or historical society, if no portion of the lease payments include compensation for return on the investment in such leased property shall be deemed to be used exclusively for the purposes of this paragraph. All property leased, other than property being acquired pursuant to a lease-purchase agreement, to the state or any municipality or political subdivision of the state by any private entity shall not be considered to be used exclusively by the state or any municipality or political subdivision of the state for the purposes of this section except that the provisions of this sentence shall not apply to any such property subject to lease on the effective date of this act until the term of such lease expires but property taxes levied upon any such property prior to tax year 1989, shall not be abated or refunded. Any property constructed or purchased with the proceeds of industrial revenue bonds issued prior to July 1, 1963, as authorized by K.S.A. 12-1740 to 12-1749, or purchased with proceeds of improvement district bonds issued prior to July 1, 1963, as authorized by K.S.A. 19-2776, or with proceeds of bonds issued prior to July 1, 1963, as authorized by K.S.A. 19-3815a and 19-3815b, or any property improved, purchased, constructed, reconstructed or repaired with the proceeds of revenue bonds issued prior to July 1, 1963, as authorized by K.S.A. 13-1238 to 13-1245, inclusive, or any property improved, reimproved, reconstructed or repaired with the proceeds of revenue bonds

issued after July 1, 1963, under the authority of K.S.A. 13-1238 to 13-1245, inclusive, which had previously been improved, reconstructed or repaired with the proceeds of revenue bonds issued under such act on or before July 1, 1963, shall be exempt from taxation for so long as any of the revenue bonds issued to finance such construction, reconstruction, improvement, repair or purchase shall be outstanding and unpaid. Any property constructed or purchased with the proceeds of any revenue bonds authorized by K.S.A. 13-1238 to 13-1245, inclusive, 19-2776, 19-3815a and 19-3815b, and amendments thereto, issued on or after July 1, 1963, shall be exempt from taxation only for a period of 10 calendar years after the calendar year in which the bonds were issued. Any property, all or any portion of which is constructed or purchased with the proceeds of revenue bonds authorized by K.S.A. 12-1740 to 12-1749, inclusive, and amendments thereto, issued on or after July 1, 1963 and prior to July 1, 1981, shall be exempt from taxation only for a period of 10 calendar years after the calendar year in which the bonds were issued. Except as hereinafter provided, any property constructed or purchased wholly with the proceeds of revenue bonds issued on or after July 1, 1981, under the authority of K.S.A. 12-1740 to 12-1749, inclusive, and amendments thereto, shall be exempt from taxation only for a period of 10 calendar years after the calendar year in which the bonds were issued. Except as hereinafter provided, any property constructed or purchased in part with the proceeds of revenue bonds issued on or after July 1, 1981, under the authority of K.S.A. 12-1740 to 12-1749, inclusive, and amendments thereto, shall be exempt from taxation to the extent of the value of that portion of the property financed by the revenue bonds and only for a period of 10 calendar years after the calendar year in which the bonds were issued. The exemption of that portion of the property constructed or purchased with the proceeds of revenue bonds shall terminate upon the failure to pay all taxes levied on that portion of the property which is not exempt and the entire property shall be subject to sale in the manner prescribed by K.S.A. 79-2301 *et seq.*, and amendments thereto. Property constructed or purchased in whole or in part with the proceeds of revenue bonds issued on or after January 1, 1995, under the authority of K.S.A. 12-1740 to 12-1749, inclusive, and amendments thereto, and used in any retail enterprise identified under the standard industrial classification codes, major groups 52 through 59, inclusive, except facilities used exclusively to house the headquarters or back office operations of such retail enterprises identified thereunder, shall not be exempt from taxation. For the purposes of the preceding provision "standard industrial classification code" means a standard industrial classification code published in the Standard Industrial Classification manual, 1987, as prepared by the statistical policy division of the office of management and budget of the office of the president of the United States. "Headquarters or back office operations" means a facility from which the enterprise is provided direction, management, administrative services, or distribution or warehousing

functions in support of transactions made by the enterprise. Property purchased, constructed, reconstructed, equipped, maintained or repaired with the proceeds of industrial revenue bonds issued under the authority of K.S.A. 12-1740 *et seq.*, and amendments thereto, which is located in a redevelopment project area established under the authority of K.S.A. 12-1770 *et seq.* shall not be exempt from taxation. Property purchased, acquired, constructed, reconstructed, improved, equipped, furnished, repaired, enlarged or remodeled with all or any part of the proceeds of revenue bonds issued under authority of K.S.A. 12-1740 to 12-1749a, inclusive, and amendments thereto for any poultry confinement facility on agricultural land which is owned, acquired, obtained or leased by a corporation, as such terms are defined by K.S.A. 17-5903 and amendments thereto, shall not be exempt from such taxation. Property purchased, acquired, constructed, reconstructed, improved, equipped, furnished, repaired, enlarged or remodeled with all or any part of the proceeds of revenue bonds issued under the authority of K.S.A. 12-1740 to 12-1749a, inclusive, and amendments thereto, for a rabbit confinement facility on agricultural land which is owned, acquired, obtained or leased by a corporation, as such terms are defined by K.S.A. 17-5903 and amendments thereto, shall not be exempt from such taxation.

Third. All works, machinery and fixtures used exclusively by any rural water district or township water district for conveying or production of potable water in such rural water district or township water district, and all works, machinery and fixtures used exclusively by any entity which performed the functions of a rural water district on and after January 1, 1990, and the works, machinery and equipment of which were exempted hereunder on March 13, 1995.

Fourth. All fire engines and other implements used for the extinguishment of fires, with the buildings used exclusively for the safekeeping thereof, and for the meeting of fire companies, whether belonging to any rural fire district, township fire district, town, city or village, or to any fire company organized therein or therefor.

Fifth. All property, real and personal, owned by county fair associations organized and operating under the provisions of K.S.A. 2-125 *et seq.* and amendments thereto.

Sixth. Property acquired and held by any municipality under the municipal housing law (K.S.A. 17-2337 *et seq.*) and amendments thereto, except that such exemption shall not apply to any portion of the project used by a nondwelling facility for profit making enterprise.

Seventh. All property of a municipality, acquired or held under and for the purposes of the urban renewal law (K.S.A. 17-4742 *et seq.*) and amendments thereto except that such tax exemption shall terminate when

the municipality sells, leases or otherwise disposes of such property in an urban renewal area to a purchaser or lessee which is not a public body entitled to tax exemption with respect to such property.

Eighth. All property acquired and held by the Kansas armory board for armory purposes under the provisions of K.S.A. 48-317, and amendments thereto.

Ninth. All property acquired and used by the Kansas turnpike authority under the authority of K.S.A. 68-2001 *et seq.*, and amendments thereto, K.S.A. 68-2030 *et seq.*, and amendments thereto, K.S.A. 68-2051 *et seq.*, and amendments thereto, and K.S.A. 68-2070 *et seq.*, and amendments thereto.

Tenth. All property acquired and used for state park purposes by the Kansas department of wildlife and parks.

Eleventh. The state office building constructed under authority of K.S.A. 75-3607 *et seq.*, and amendments thereto, and the site upon which such building is located.

Twelfth. All buildings erected under the authority of K.S.A. 76-6a01 *et seq.*, and amendments thereto, and all other student union buildings and student dormitories erected upon the campus of any institution mentioned in K.S.A. 76-6a01, and amendments thereto, by any other non-profit corporation.

Thirteenth. All buildings, as the same is defined in subsection (c) of K.S.A. 76-6a13, and amendments thereto, which are erected, constructed or acquired under the authority of K.S.A. 76-6a13 *et seq.*, and amendments thereto, and building sites acquired therefor.

Fourteenth. All that portion of the waterworks plant and system of the city of Kansas City, Missouri, now or hereafter located within the territory of the state of Kansas pursuant to the compact and agreement adopted by chapter 304 of the 1921 Session Laws of the state of Kansas. [See K.S.A. 79-205].

Fifteenth. All property, real and personal, owned by a groundwater management district organized and operating pursuant to K.S.A. 82a-1020, and amendments thereto.

Sixteenth. All property, real and personal, owned by the joint water district organized and operating pursuant to K.S.A. 80-1616 *et seq.*, and amendments thereto.

Seventeenth. All property, including interests less than fee ownership,

acquired for the state of Kansas by the secretary of transportation or a predecessor in interest which is used in the administration, construction, maintenance or operation of the state system of highways, regardless of how or when acquired.

Eighteenth. Any building used primarily as an industrial training center for academic or vocational education programs designed for and operated under contract with private industry, and located upon a site owned, leased or being acquired by or for an area vocational school, an area vocational-technical school, a technical college, or a community college, as defined by K.S.A. 72-4412, and amendments thereto, and the site upon which any such building is located.

Nineteenth. *For all taxable years commencing after December 31, 1997, all buildings of an area vocational school, an area vocational-technical school, a technical college or a community college, as defined by K.S.A. 72-4412, and amendments thereto, which are owned and operated by any such school or college as a student union or dormitory, and the site upon which any such building is located.*

Except as otherwise specifically provided, the provisions of this section shall apply to all taxable years commencing after December 31, ~~1997~~ 1998.

Sec. 74. K.S.A. 1998 Supp. 79-201b is hereby amended to read as follows: 79-201b. The following described property, to the extent herein specified, shall be and is hereby exempt from all property or ad valorem taxes levied under the laws of the state of Kansas:

First. All real property, and tangible personal property, actually and regularly used exclusively for hospital purposes by a hospital as the same is defined by K.S.A. 65-425, and amendments thereto, or a psychiatric hospital as the same was defined by K.S.A. 59-2902, and amendments thereto, as in effect on January 1, 1976, which hospital or psychiatric hospital is operated by a corporation organized not for profit under the laws of the state of Kansas or by a corporation organized not for profit under the laws of another state and duly admitted to engage in business in this state as a foreign, not-for-profit corporation, or a public hospital authority; and all intangible property including moneys, notes and other evidences of debt, and the income therefrom, belonging exclusively to such a corporation and used exclusively for hospital, psychiatric hospital or public hospital authority purposes. This exemption shall not be deemed inapplicable to property which would otherwise be exempt pursuant to this paragraph because any such hospital, psychiatric hospital or public hospital authority: (a) Uses such property for a nonexempt purpose which is minimal in scope and insubstantial in nature if such use is incidental to the exempt purpose enumerated in this paragraph; or (b) is reimbursed

for the actual expense of using such property for the exempt purposes enumerated in this paragraph or paragraph second of K.S.A. 79-201, and amendments thereto; or (c) permits the use of such property for the exempt purposes enumerated in this paragraph or paragraph second of K.S.A. 79-201, and amendments thereto, by more than one agency or organization for one or more of such purposes.

Second. All real property, and tangible personal property, actually and regularly used exclusively for adult care home purposes by an adult care home as the same is defined by K.S.A. 39-923, and amendments thereto, which is operated by a corporation organized not for profit under the laws of the state of Kansas or by a corporation organized not for profit under the laws of another state and duly admitted to engage in business in this state as a foreign, not-for-profit corporation, charges to residents for services of which produce an amount which in the aggregate is less than the actual cost of operation of the home or the services of which are provided to residents at the lowest feasible cost, taking into consideration such items as reasonable depreciation, interest on indebtedness, acquisition costs, interest and other expenses of financing acquisition costs, lease expenses and costs of services provided by a parent corporation at its costs; **and** contributions to which are deductible under the Kansas income tax act; and all intangible property including moneys, notes and other evidences of debt, and the income therefrom, belonging exclusively to such corporation and used exclusively for adult care home purposes.

For purposes of this paragraph and for all taxable years commencing after December 31, 1976, an adult care home which uses its property in a manner which is consistent with the federal internal revenue service ruling 72-124 issued pursuant to section 501(c)(3) of the federal internal revenue code, shall be deemed to be operating at the lowest feasible cost.

The fact that real property or real or tangible personal property may be leased from a not-for-profit corporation, which is exempt from federal income taxation pursuant to section 501(c)(3) of the internal revenue code of 1986, and amendments thereto, and which is the parent corporation to the not-for-profit operator of an adult care home, shall not be grounds to deny exemption or deny that such property is actually and regularly used exclusively for adult care home purposes by an adult care home, nor shall the terms of any such lease be grounds for any such denial. *For all taxable years commencing after December 31, 1995, such property shall be deemed to be used exclusively for adult care home purposes when used as a not-for-profit day care center for children which is licensed pursuant to K.S.A. 65-501 et seq., and amendments thereto.*

Third. All real property, and tangible personal property, actually and regularly used exclusively for private children's home purposes by a private children's home as the same is defined by K.S.A. 75-3329, and amendments thereto, which is operated by a corporation organized not

for profit under the laws of the state of Kansas or by a corporation organized not for profit under the laws of another state and duly admitted to engage in business in this state as a foreign, not-for-profit corporation, charges to residents for services of which produce an amount which in the aggregate is less than the actual cost of operation of the home or the services of which are provided to residents at the lowest feasible cost, taking into consideration such items as reasonable depreciation and interest on indebtedness, and contributions to which are deductible under the Kansas income tax act; and all intangible property including moneys, notes and other evidences of debt, and the income therefrom, belonging exclusively to such a corporation and used exclusively for children's home purposes.

Fourth. All real property and tangible personal property, actually and regularly used exclusively for housing for elderly and handicapped persons having a limited or lower income, or used exclusively for cooperative housing for persons having a limited or low income, assistance for the financing of which was received under 12 U.S.C.A. 1701 *et seq.*, or under 42 U.S.C.A. 1437 *et seq.*, which is operated by a corporation organized not for profit under the laws of the state of Kansas or by a corporation organized not for profit under the laws of another state and duly admitted to engage in business in this state as a foreign, not-for-profit corporation; and all intangible property including moneys, notes and other evidences of debt, and the income therefrom, belonging exclusively to such a corporation and used exclusively for the purposes of such housing. For the purposes of this subsection, cooperative housing shall mean those not-for-profit cooperative housing projects operating pursuant to sections 236 or 221(d)(3), or both, of the national housing act and which have been approved as a cooperative housing project pursuant to applicable federal housing administration and U.S. Department of Housing and Urban Development statutes, and rules and regulations, during such time as the use of such properties are restricted pursuant to such act, statutes or rules and regulations.

Fifth. All real property and tangible personal property, actually and regularly used exclusively for housing for elderly persons, which is operated by a corporation organized not for profit under the laws of the state of Kansas or by a corporation organized not for profit under the laws of another state and duly admitted to engage in business in this state as a foreign, not-for-profit corporation, in which charges to residents produce an amount which in the aggregate is less than the actual cost of operation of the housing facility or the services of which are provided to residents at the lowest feasible cost, taking into consideration such items as reasonable depreciation and interest on indebtedness and contributions to which are deductible under the Kansas income tax act; and all intangible property including moneys, notes and other evidences of debt, and the

income therefrom, belonging exclusively to such corporation and used exclusively for the purpose of such housing. *For purposes of this paragraph and for all taxable years commencing after December 31, 1976, an adult care home which uses its property in a manner which is consistent with the federal internal revenue service ruling 72-124 issued pursuant to section 501(c)(3) of the federal internal revenue code, shall be deemed to be operating at the lowest feasible cost. For all taxable years commencing after December 31, 1995, such property shall be deemed to be used exclusively for housing for elderly persons purposes when used as a not-for-profit day care center for children which is licensed pursuant to K.S.A. 65-501 et seq., and amendments thereto.*

Sixth. All real property and tangible personal property actually and regularly used exclusively for the purpose of group housing of mentally ill or retarded and other handicapped persons which is operated by a corporation organized not for profit under the laws of the state of Kansas or by a corporation organized not for profit under the laws of another state and duly admitted to engage in business in this state as a foreign, not-for-profit corporation, in which charges to residents produce an amount which in the aggregate is less than the actual cost of operation of the housing facility or the services of which are provided to residents at the lowest feasible cost, taking into consideration such items as reasonable depreciation and interest on indebtedness and contributions to which are deductible under the Kansas income tax act, and which is licensed as a facility for the housing of mentally ill or retarded and other handicapped persons under the provisions of K.S.A. 75-3307b, and amendments thereto, or as a rooming or boarding house used as a facility for the housing of mentally retarded and other handicapped persons which is licensed as a lodging establishment under the provisions of K.S.A. 36-501 *et seq.*, and amendments thereto.

The provisions of this section, *except as otherwise specifically provided*, shall apply to all taxable years commencing after December 31, 1995
1998.

Sec. 75. From and after April 1, 2000, K.S.A. 1998 Supp. 79-3606, as amended by section 6 of this act, is hereby amended to read as follows: 79-3606. The following shall be exempt from the tax imposed by this act:

(a) All sales of motor-vehicle fuel or other articles upon which a sales or excise tax has been paid, not subject to refund, under the laws of this state except cigarettes as defined by K.S.A. 79-3301 and amendments thereto, cereal malt beverages and malt products as defined by K.S.A. 79-3817 and amendments thereto, including wort, liquid malt, malt syrup and malt extract, which is not subject to taxation under the provisions of K.S.A. 79-41a02 and amendments thereto, motor vehicles taxed pursuant

to K.S.A. 79-5117, and amendments thereto, tires taxed pursuant to K.S.A. 1998 Supp. 65-3424d, and amendments thereto, and drycleaning and laundry services taxed pursuant to K.S.A. 1998 Supp. 65-34,150, and amendments thereto;

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

(c) all sales of tangible personal property or services, including the renting and leasing of tangible personal property, purchased directly by a public or private elementary or secondary school or public or private nonprofit educational institution and used primarily by such school or institution for nonsectarian programs and activities provided or sponsored by such school or institution or in the erection, repair or enlargement of buildings to be used for such purposes. The exemption herein provided shall not apply to erection, construction, repair, enlargement or equipment of buildings used primarily for human habitation;

(d) all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any public or private nonprofit hospital or public hospital authority, public or private elementary or secondary school or a public or private nonprofit educational institution, which would be exempt from taxation under the provisions of this act if purchased directly by such hospital or public hospital authority, school or educational institution; and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any political subdivision of the state, the total cost of which is paid from funds of such political subdivision and which would be exempt from taxation under the provisions of this act if purchased directly by such political subdivision. Nothing in this subsection or in the provisions of K.S.A. 12-3418 and amendments thereto, shall be deemed to exempt the purchase of any construction

machinery, equipment or tools used in the constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any political subdivision of the state. As used in this subsection, K.S.A. 12-3418 and 79-3640, and amendments thereto, "funds of a political subdivision" shall mean general tax revenues, the proceeds of any bonds and gifts or grants-in-aid. Gifts shall not mean funds used for the purpose of constructing, equipping, reconstructing, repairing, enlarging, furnishing or remodeling facilities which are to be leased to the donor. When any political subdivision of the state, public or private non-profit hospital or public hospital authority, public or private elementary or secondary school or public or private nonprofit educational institution shall contract for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to the political subdivision, hospital or public hospital authority, school or educational institution concerned a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. As an alternative to the foregoing procedure, any such contracting entity may apply to the secretary of revenue for agent status for the sole purpose of issuing and furnishing project exemption certificates to contractors pursuant to rules and regulations adopted by the secretary establishing conditions and standards for the granting and maintaining of such status. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials which will not be so incorporated in the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, the political subdivision, hospital or public hospital authority, school or educational institution concerned shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty of a misdemeanor

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

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

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

(g) sales of aircraft including remanufactured and modified aircraft, sales of aircraft repair, modification and replacement parts and sales of services employed in the remanufacture, modification and repair of aircraft sold to persons using directly or through an authorized agent such aircraft and aircraft repair, modification and replacement parts as certified or licensed carriers of persons or property in interstate or foreign commerce under authority of the laws of the United States or any foreign

government or sold to any foreign government or agency or instrumentality of such foreign government and all sales of aircraft, aircraft parts, replacement parts and services employed in the remanufacture, modification and repair of aircraft for use outside of the United States;

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

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

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

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

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

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

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

ing, treating, irrigation and in providing such services;

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

(p) all sales of drugs, as defined by K.S.A. 65-1626 and amendments thereto, dispensed pursuant to a prescription order, as defined by K.S.A. 65-1626 and amendments thereto, by a licensed practitioner *or a mid-level practitioner as defined by K.S.A. 65-1626, and amendments thereto*;

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

(r) all sales of prosthetic and orthopedic appliances prescribed in writing by a person licensed to practice the healing arts, dentistry or optometry. For the purposes of this subsection, the term prosthetic and orthopedic appliances means any apparatus, instrument, device, or equipment used to replace or substitute for any missing part of the body; used to alleviate the malfunction of any part of the body; or used to assist any disabled person in leading a normal life by facilitating such person's mobility; such term shall include accessories attached or to be attached to motor vehicles, but such term shall not include motor vehicles or personal property which when installed becomes a fixture to real property;

(s) all sales of tangible personal property or services purchased directly by a groundwater management district organized or operating under the authority of K.S.A. 82a-1020 *et seq.* and amendments thereto, which property or services are used in the operation or maintenance of the district;

(t) all sales of farm machinery and equipment or aquaculture machinery and equipment, repair and replacement parts therefor and services performed in the repair and maintenance of such machinery and equipment. For the purposes of this subsection the term "farm machinery and equipment or aquaculture machinery and equipment" shall include machinery and equipment used in the operation of Christmas tree farming but shall not include any passenger vehicle, truck, truck tractor, trailer, semitrailer or pole trailer, other than a farm trailer, as such terms are defined by K.S.A. 8-126 and amendments thereto. Each purchaser of farm machinery and equipment or aquaculture machinery and equipment exempted herein must certify in writing on the copy of the invoice or sales ticket to be retained by the seller that the farm machinery and

equipment or aquaculture machinery and equipment purchased will be used only in farming, ranching or aquaculture production. Farming or ranching shall include the operation of a feedlot and farm and ranch work for hire and the operation of a nursery;

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

(v) all sales of food products to any contractor for use in preparing meals for delivery to homebound elderly persons over 60 years of age and to homebound disabled persons or to be served at a group-sitting at a location outside of the home to otherwise homebound elderly persons over 60 years of age and to otherwise homebound disabled persons, as all or part of any food service project funded in whole or in part by government or as part of a private nonprofit food service project available to all such elderly or disabled persons residing within an area of service designated by the private nonprofit organization, and all sales of food products for use in preparing meals for consumption by indigent or homeless individuals whether or not such meals are consumed at a place designated for such purpose;

(w) all sales of natural gas, electricity, heat and water delivered through mains, lines or pipes: (1) To residential premises for noncommercial use by the occupant of such premises; (2) for agricultural use and also, for such use, all sales of propane gas; (3) for use in the severing of oil; and (4) to any property which is exempt from property taxation pursuant to K.S.A. 79-201b **Second** through **Sixth**. As used in this paragraph, "severing" shall have the meaning ascribed thereto by subsection (k) of K.S.A. 79-4216, and amendments thereto;

(x) all sales of propane gas, LP-gas, coal, wood and other fuel sources for the production of heat or lighting for noncommercial use of an occupant of residential premises;

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

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

(aa) all sales of materials and services applied to equipment which is transported into the state from without the state for repair, service, alteration, maintenance, remanufacture or modification and which is sub-

sequently transported outside the state for use in the transmission of liquids or natural gas by means of pipeline in interstate or foreign commerce under authority of the laws of the United States;

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

(cc) all sales of tangible personal property or services purchased for the purpose of and in conjunction with constructing, reconstructing, enlarging or remodeling a business or retail business which meets the requirements established in K.S.A. 74-50,115 and amendments thereto, and the sale and installation of machinery and equipment purchased for installation at any such business or retail business. When a person shall contract for the construction, reconstruction, enlargement or remodeling of any such business or retail business, such person shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials, machinery and equipment for incorporation in such project. The contractor shall furnish the number of such certificates to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to the owner of the business or retail business a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials, machinery or equipment purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed thereon, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in subsection (g) of K.S.A. 79-3615 and amendments thereto. As used in this subsection, "business" and "retail business" have the meanings respectively ascribed thereto by K.S.A. 74-50,114 and amendments thereto;

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

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

(ff) on and after July 1, 1988, all sales of new mobile homes or manufactured homes to the extent of 40% of the gross receipts, determined

without regard to any trade-in allowance, received from such sale. As used in this subsection, "mobile homes" and "manufactured homes" shall have the meanings ascribed thereto by K.S.A. 58-4202 and amendments thereto;

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

(hh) all sales of medical supplies and equipment purchased directly by a nonprofit skilled nursing home or nonprofit intermediate nursing care home, as defined by K.S.A. 39-923, and amendments thereto, for the purpose of providing medical services to residents thereof. This exemption shall not apply to tangible personal property customarily used for human habitation purposes;

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

(jj) all sales of tangible personal property or services, including the renting and leasing of tangible personal property, purchased directly on behalf of a community-based mental retardation facility or mental health center organized pursuant to K.S.A. 19-4001 *et seq.*, and amendments thereto, and licensed in accordance with the provisions of K.S.A. 75-3307b and amendments thereto. This exemption shall not apply to tangible personal property customarily used for human habitation purposes;

(kk) on and after January 1, 1989, all sales of machinery and equipment used directly and primarily for the purposes of manufacturing, assembling, processing, finishing, storing, warehousing or distributing articles of tangible personal property in this state intended for resale by a manufacturing or processing plant or facility or a storage, warehousing or distribution facility, and all sales of repair and replacement parts and accessories purchased for such machinery and equipment:

(1) For purposes of this subsection, machinery and equipment shall be deemed to be used directly and primarily in the manufacture, assembly, processing, finishing, storing, warehousing or distributing of tangible personal property where such machinery and equipment is used during a manufacturing, assembling, processing or finishing, storing, warehousing or distributing operation:

(A) To effect a direct and immediate physical change upon the tan-

gible personal property;

(B) to guide or measure a direct and immediate physical change upon such property where such function is an integral and essential part of tuning, verifying or aligning the component parts of such property;

(C) to test or measure such property where such function is an integral part of the production flow or function;

(D) to transport, convey or handle such property during the manufacturing, processing, storing, warehousing or distribution operation at the plant or facility; or

(E) to place such property in the container, package or wrapping in which such property is normally sold or transported.

(2) For purposes of this subsection "machinery and equipment used directly and primarily" shall include, but not be limited to:

(A) Mechanical machines or components thereof contributing to a manufacturing, assembling or finishing process;

(B) molds and dies that determine the physical characteristics of the finished product or its packaging material;

(C) testing equipment to determine the quality of the finished product;

(D) computers and related peripheral equipment that directly control or measure the manufacturing process or which are utilized for engineering of the finished product; and

(E) computers and related peripheral equipment utilized for research and development and product design.

(3) "Machinery and equipment used directly and primarily" shall not include:

(A) Hand tools;

(B) machinery, equipment and tools used in maintaining and repairing any type of machinery and equipment;

(C) transportation equipment not used in the manufacturing, assembling, processing, furnishing, storing, warehousing or distributing process at the plant or facility;

(D) office machines and equipment including computers and related

peripheral equipment not directly and primarily used in controlling or measuring the manufacturing process;

(E) furniture and buildings; and

(F) machinery and equipment used in administrative, accounting, sales or other such activities of the business;

(4) for purposes of this subsection, "repair and replacement parts and accessories" means all parts and accessories for exempt machinery and equipment, including but not limited to dies, jigs, molds, and patterns which are attached to exempt machinery or which are otherwise used in production, short-lived replaceable parts that can be readily detached from exempt machinery or equipment, such as belts, drill bits, grinding wheels, cutting bars and saws, and other replacement parts for production equipment, including refractory brick and other refractory items for kiln equipment used in production operations;

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

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

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

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

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

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

(rr) all sales of tangible personal property which will admit the pur-

chaser thereof to any annual event sponsored by a nonprofit organization which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986;

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

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

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

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

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

(2) the Kansas Alliance for the Mentally Ill, Inc. for the purpose of advocacy for persons with mental illness and to education, research and support for their families;

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

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

(5) the American Lung Association of Kansas, Inc. for the purpose of eliminating all lung diseases through medical research, public education including information on coping with lung diseases, professional education and training related to lung disease and other related services to

reduce the incidence of disability and death due to lung disease;

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

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

(xx) all sales of tangible personal property and services purchased by a nonprofit zoo which is exempt from federal income taxation pursuant to section 501 (c)(3) of the federal internal revenue code of 1986, or on behalf of such zoo by an entity itself exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986 contracted with to operate such zoo and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any nonprofit zoo which would be exempt from taxation under the provisions of this section if purchased directly by such nonprofit zoo or the entity operating such zoo. Nothing in this subsection shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any nonprofit zoo. When any nonprofit zoo shall contract for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to the nonprofit zoo concerned a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials which will not be so incorporated in the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such cer-

tificate was issued, the nonprofit zoo concerned shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in subsection (g) of K.S.A. 79-3615, and amendments thereto;

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

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

(aaa) all sales of tangible personal property and services purchased by a religious organization which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code, and used exclusively for religious purposes, and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any such organization which would be exempt from taxation under the provisions of this section if purchased directly by such organization. Nothing in this subsection shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any such organization. When any such organization shall contract for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certifi-

cate. Upon completion of the project the contractor shall furnish to such organization concerned a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials which will not be so incorporated in the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, such organization concerned shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in subsection (g) of K.S.A. 79-3615, and amendments thereto. Sales tax paid on and after July 1, 1998, but prior to the effective date of this act upon the gross receipts received from any sale exempted by the amendatory provisions of this subsection shall be refunded. Each claim for a sales tax refund shall be verified and submitted to the director of taxation upon forms furnished by the director and shall be accompanied by any additional documentation required by the director. The director shall review each claim and shall refund that amount of sales tax paid as determined under the provisions of this subsection. All refunds shall be paid from the sales tax refund fund upon warrants of the director of accounts and reports pursuant to vouchers approved by the director or the director's designee;

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

(ccc) on and after July 1, 1999, all sales of tangible personal property and services purchased by a primary care clinic or health center the primary purpose of which is to provide services to medically underserved individuals and families, and which is exempt from federal income taxation pursuant to section 501 (c)(3) of the federal internal revenue code,

and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any such clinic or center which would be exempt from taxation under the provisions of this section if purchased directly by such clinic or center. Nothing in this subsection shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any such clinic or center. When any such clinic or center shall contract for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to such clinic or center concerned a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials which will not be so incorporated in the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, such clinic or center concerned shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in subsection (g) of K.S.A. 79-3615, and amendments thereto;

(ddd) on and after January 1, 1999, and before January 1, 2000, all sales of materials and services purchased by any class II or III railroad as classified by the federal surface transportation board for the construction, renovation, repair or replacement of class II or III railroad track and facilities used directly in interstate commerce. In the event any such track

or facility for which materials and services were purchased sales tax exempt is not operational for five years succeeding the allowance of such exemption, the total amount of sales tax which would have been payable except for the operation of this subsection shall be recouped in accordance with rules and regulations adopted for such purpose by the secretary of revenue; and

(eee) on and after January 1, 1999, and before January 1, 2000, all sales of materials and services purchased for the original construction, reconstruction, repair or replacement of grain storage facilities, including railroad sidings providing access thereto.

Sec. 76. From and after April 1, 2000, K.S.A. 1998 Supp. 79-3606, as amended by section 6 of this act, and K.S.A. 1998 Supp. 79-3606, as amended by section 18 of House Bill No. 2168, are hereby repealed.

Sec. 77. From and after July 1, 1999, K.S.A. 1998 Supp. 79-3602 is hereby repealed.

Sec. 78. K.S.A. 2-610, 2-1318, 2-1319, 2-1322, 2-2007, 3-121, 12-1403, 12-1405, 12-1617h, 19-236, 19-807d, 19-2803, 19-2803e, 19-3105, 19-3106, 19-3305, 19-4004, 19-4011, 19-4102, 65-212, 68-166, 68-518c, 68-582, 73-407, 76-326a, 79-201, 79-5a01, 79-1945, 79-1946, 79-1947, 79-1947b, 79-1948, 79-1949, 79-1950, 79-1951, 79-1952, 79-1953, 79-1962, 79-32,197, 79-32,201, 80-115, 80-119, 80-808, 80-903, 80-932, 80-1417, 80-1503, 80-1509, 80-1537, 80-1806, 80-1903, 80-1909, 80-1916, 80-1920, 80-1921, 80-1924, 80-2006, 80-2021, 80-2201, 80-2204 and 82a-308 and K.S.A. 1998 Supp. 79-201a, 79-201b, 79-32,117, 79-32,195 and 79-3606 are hereby repealed.

Sec. 79. This act shall take effect and be in force from and after its publication in the Kansas register.

I hereby certify that the above BILL originated in the SENATE, and passed that body

SENATE adopted
Conference Committee Report _____

President of the Senate

Secretary of the Senate

Passed the HOUSE

as amended _____
HOUSE adopted _____
Conference Committee Report _____

APPROVED _____

Speaker of the House

Chief Clerk of the House

Governor

Kansas State Capitol - 300 SW 10th St. - Topeka, Kansas 66612

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