

HOUSE BILL No. 2431

By Committee on Taxation

6-4

1 AN ACT concerning taxation; relating to income tax, rates, credits,
2 itemized deductions and determination of Kansas adjusted gross
3 income; sales and compensating use tax, rates, food and food
4 ingredients; property tax, homestead refunds; motor fuels tax, rates;
5 cigarettes, rate of tax; amending K.S.A. 2016 Supp. 79-32,110, 79-
6 32,117, 79-32,120, 79-32,138, 79-32,271, 79-3310, 79-3310c, 79-3311,
7 79-3312, 79-3492b, 79-34,118, 79-34,141, 79-34,142, 79-3602, 79-
8 3603, 79-3620, 79-3703, 79-3710, 79-4501, 79-4502, 79-4508, 79-
9 4509, 79-4511 and 79-4522 and repealing the existing sections; also
10 repealing K.S.A. 2016 Supp. 79-32,269.

11

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

13 New Section 1. (a) Commencing with fiscal year 2018, if the total
14 balance in the state general fund on June 30 of such fiscal year exceeds
15 7.5% of the total amount authorized to be expended or transferred by
16 demand transfer from the state general fund in such fiscal year, such
17 excess amount shall be transferred from the state general fund to the food
18 sales tax reduction fund established in section 2, and amendments thereto.
19 The transfer from the state general fund to the food sales tax reduction
20 fund shall occur on or before August 15 following the end of such fiscal
21 year.

22 (b) The director of budget and the director of legislative research
23 shall certify such excess amount, in dollars, to the secretary of revenue.
24 Upon receiving such certification, the secretary of revenue shall compute
25 the food sales tax rate reductions, if any, to go into effect for the next tax
26 year that would reduce by such certified amount, in dollars, the revenues
27 received from taxes on the sales of food and food ingredients. The
28 secretary shall publish the new sales tax rate on food and food ingredients
29 to take effect on January 1, by October 1 of the preceding year.

30 New Sec. 2. (a) On July 1, 2018, the food sales tax reduction fund is
31 hereby established in the state treasury.

32 (b) On or before the 10th day of each month, the director of accounts
33 and reports shall transfer from the state general fund to the food sales tax
34 reduction fund interest earnings based on:

35 (1) The average daily balance of moneys in the food sales tax
36 reduction fund for the preceding month; and

1 (2) the net earnings rate of the pooled money investment portfolio for
2 the preceding month.

3 New Sec. 3. (a) For all taxable years commencing after December 31,
4 2016, there shall be allowed as a credit against the tax liability of a
5 resident individual imposed under the Kansas income tax act an amount
6 equal to 25% of the amount of the credit allowed against such taxpayer's
7 federal income tax liability pursuant to 26 U.S.C. § 21 for the taxable year
8 in which such credit was claimed against the taxpayer's federal income tax
9 liability.

10 (b) The credit allowed by subsection (a) shall not exceed the amount
11 of the tax imposed by K.S.A. 79-32,110, and amendments thereto, reduced
12 by the sum of any other credits allowable pursuant to law.

13 (c) No credit provided under this section shall be allowed to any
14 individual who fails to provide a valid social security number issued by the
15 social security administration, to such individual, the individual's spouse
16 and every dependent of the individual.

17 Sec. 4. K.S.A. 2016 Supp. 79-32,110 is hereby amended to read as
18 follows: 79-32,110. (a) *Resident Individuals*. Except as otherwise provided
19 by K.S.A. 79-3220(a), and amendments thereto, a tax is hereby imposed
20 upon the Kansas taxable income of every resident individual, which tax
21 shall be computed in accordance with the following tax schedules:

22 (1) *Married individuals filing joint returns.*

23 (A) ~~For tax year 2012:~~

If the taxable income is:	The tax is:
24 Not over \$30,000.....	3.5% of Kansas taxable income
25 Over \$30,000 but not over \$60,000.....	\$1,050 plus 6.25% of excess
26 _____	over \$30,000
27 Over \$60,000.....	\$2,925 plus 6.45% of excess
28 _____	over \$60,000

29
30 (B) ~~For tax year 2013:~~

If the taxable income is:	The tax is:
31 Not over \$30,000.....	3.0% of Kansas taxable income
32 Over \$30,000.....	\$900 plus 4.9% of excess over
33 _____	\$30,000

34
35 (C) ~~For tax year 2014:~~

If the taxable income is:	The tax is:
36 Not over \$30,000.....	2.7% of Kansas taxable income
37 Over \$30,000.....	\$810 plus 4.8% of excess over
38 _____	\$30,000

39
40 (D) ~~For tax years 2015; and 2016 and 2017:~~

If the taxable income is:	The tax is:
41 Not over \$30,000.....	2.7% of Kansas taxable income
42 Over \$30,000.....	\$810 plus 4.6% of excess over

1 \$30,000
2 ~~(E)(B) For tax year 2018, and all tax years thereafter 2017:~~
3 If the taxable income is: The tax is:
4 Not over \$30,000.....~~2.6%~~2.83% of Kansas taxable
5 income
6 Over \$30,000 *but not over \$100,000*.....~~\$780~~\$849 plus 4.6% 5.28% of
7 excess over \$30,000
8 *Over \$100,000 but not over \$250,000*.....~~\$4,545~~plus 5.53% of excess over
9 \$100,000
10 *Over \$250,000 but not over \$1,000,000*.....~~\$12,840~~plus 6.05% of excess
11 over \$250,000
12 *Over \$1,000,000*.....~~\$58,215~~plus 7.3% of excess over
13 \$1,000,000

14 (C) For tax years 2018 through 2022:
15 If the taxable income is: The tax is:
16 Not over \$30,000.....2.95% of Kansas taxable income
17 Over \$30,000 *but not over \$100,000*.....~~\$885~~plus 5.95% of excess over
18 \$30,000
19 Over \$100,000 *but not over \$250,000*.....~~\$5,050~~plus 6.45% of excess over
20 \$100,000
21 Over \$250,000 *but not over \$1,000,000*.....~~\$14,725~~plus 7.5% of excess over
22 \$250,000
23 Over \$1,000,000.....~~\$70,975~~plus 10% of excess over
24 \$1,000,000

25 (D) For tax year 2023, and all tax years thereafter:
26 If the taxable income is: The tax is:
27 Not over \$30,000.....2.95% of Kansas taxable income
28 Over \$30,000 *but not over \$100,000*.....~~\$885~~plus 5.95% of excess over
29 \$30,000
30 Over \$100,000 *but not over \$250,000*.....~~\$5,050~~plus 6.45% of excess over
31 \$100,000
32 Over \$250,000.....~~\$14,725~~plus 7.5% of excess over
33 \$250,000

34 (2) All other individuals.

35 (A) For tax year 2012:
36 If the taxable income is: The tax is:
37 Not over \$15,000.....3.5% of Kansas taxable income
38 Over \$15,000 *but not over \$30,000*.....~~\$525~~plus 6.25% of excess
39 over \$15,000
40 Over \$30,000.....~~\$1,462.50~~plus 6.45% of excess
41 over \$30,000

42 (B) For tax year 2013:
43 If the taxable income is: The tax is:

1 Not over \$15,000.....3.0% of Kansas taxable income
 2 Over \$15,000.....\$450 plus 4.9% of excess over
 3 \$15,000

4 ~~(C)~~ For tax year 2014:

5 If the taxable income is: The tax is:
 6 Not over \$15,000.....2.7% of Kansas taxable income
 7 Over \$15,000.....\$405 plus 4.8% of excess over
 8 \$15,000

9 ~~(D)~~ For tax years 2015; and 2016 and 2017:

10 If the taxable income is: The tax is:
 11 Not over \$15,000.....2.7% of Kansas taxable income
 12 Over \$15,000.....\$405 plus 4.6% of excess over
 13 \$15,000

14 ~~(E)~~(B) For tax year 2018; and all tax years thereafter 2017:

15 If the taxable income is: The tax is:
 16 Not over \$15,000.....~~2.6%~~2.83% of Kansas taxable
 17 income
 18 Over \$15,000 but not over \$50,000.....~~\$390~~\$424.50 plus ~~4.6%~~ 5.28% of
 19 excess over \$15,000
 20 Over \$50,000 but not over \$125,000.....\$2,272.50 plus 5.53% of excess
 21 over \$50,000
 22 Over \$125,000 but not over \$500,000.....\$6,420 plus 6.05% of excess over
 23 \$125,000
 24 Over \$500,000.....\$29,107.50 plus 7.3% of excess
 25 over \$500,000

26 (C) For tax years 2018 through 2022:

27 If the taxable income is: The tax is:
 28 Not over \$15,000.....2.95% of Kansas taxable income
 29 Over \$15,000 but not over \$50,000.....\$442.50 plus 5.95% of excess
 30 over \$15,000
 31 Over \$50,000 but not over \$125,000.....\$2,525 plus 6.45% of excess over
 32 \$50,000
 33 Over \$125,000 but not over \$500,000.....\$7,362.50 plus 7.5% of excess
 34 over \$125,000
 35 Over \$500,000.....\$35,487.50 plus 10% of excess
 36 over \$500,000

37 (D) For tax year 2023, and all tax years thereafter:

38 If the taxable income is: The tax is:
 39 Not over \$15,000.....2.95% of Kansas taxable income
 40 Over \$15,000 but not over \$50,000.....\$442.50 plus 5.95% of excess
 41 over \$15,000
 42 Over \$50,000 but not over \$125,000.....\$2,525 plus 6.45% of excess over
 43 \$50,000

1 *Over \$125,000.....\$7,362.50 plus 7.5% of excess*
 2 *over \$125,000*

3 (b) *Nonresident Individuals.* A tax is hereby imposed upon the Kansas
 4 taxable income of every nonresident individual, which tax shall be an
 5 amount equal to the tax computed under subsection (a) as if the
 6 nonresident were a resident multiplied by the ratio of modified Kansas
 7 source income to Kansas adjusted gross income.

8 (c) *Corporations.* A tax is hereby imposed upon the Kansas taxable
 9 income of every corporation doing business within this state or deriving
 10 income from sources within this state. Such tax shall consist of a normal
 11 tax and a surtax and shall be computed as follows:

12 (1) *For all tax years prior to tax year 2017,* the normal tax shall be in
 13 an amount equal to 4% of the Kansas taxable income of such corporation;
 14 and

15 ~~(2) (A) for tax year 2008, the surtax shall be in an amount equal to~~
 16 ~~3.1% of the Kansas taxable income of such corporation in excess of~~
 17 ~~\$50,000;~~

18 ~~(B) for tax years 2009 and 2010, the surtax shall be in an amount~~
 19 ~~equal to 3.05% of the Kansas taxable income of such corporation in excess~~
 20 ~~of \$50,000; and~~

21 ~~(C) for tax year 2011, and all tax years thereafter, the surtax shall be~~
 22 ~~in an amount equal to 3% of the Kansas taxable income of such~~
 23 ~~corporation in excess of \$50,000.~~

24 (2) *For tax year 2017, and all tax years thereafter, the normal tax*
 25 *shall be in an amount equal to 3.75% of the Kansas taxable income, and*
 26 *the surtax shall be in an amount equal to 3% of the Kansas taxable income*
 27 *in excess of \$50,000.*

28 (d) *Fiduciaries.* A tax is hereby imposed upon the Kansas taxable
 29 income of estates and trusts at the rates provided in subsection (a)(2)
 30 hereof.

31 ~~(e) Tax rates provided in this section shall be adjusted pursuant to the~~
 32 ~~provisions of K.S.A. 2016 Supp. 79-32,269, and amendments thereto.~~

33 ~~(f) Notwithstanding the provisions of subsections (a) and (b), for tax~~
 34 ~~year 2016, and all tax years thereafter, married individuals filing joint~~
 35 ~~returns with taxable income of \$12,500 or less, and all other individuals~~
 36 ~~with taxable income of \$5,000 or less, shall have a tax liability of zero.~~

37 *(f) No taxpayer shall be assessed penalties and interest arising from*
 38 *the underpayment of taxes due to changes to the rates in subsection (a)*
 39 *that became law on July 1, 2017, so long as such underpayment is*
 40 *rectified on or before April 17, 2018.*

41 Sec. 5. K.S.A. 2016 Supp. 79-32,117 is hereby amended to read as
 42 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
 43 means such individual's federal adjusted gross income for the taxable year,

1 with the modifications specified in this section.

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

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

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

23 (iii) The federal net operating loss deduction, *except that the federal*
24 *net operating loss shall not be added to an individual's federal adjusted*
25 *gross income for tax years beginning after December 31, 2016.*

26 (iv) Federal income tax refunds received by the taxpayer if the
27 deduction of the taxes being refunded resulted in a tax benefit for Kansas
28 income tax purposes during a prior taxable year. Such refunds shall be
29 included in income in the year actually received regardless of the method
30 of accounting used by the taxpayer. For purposes hereof, a tax benefit shall
31 be deemed to have resulted if the amount of the tax had been deducted in
32 determining income subject to a Kansas income tax for a prior year
33 regardless of the rate of taxation applied in such prior year to the Kansas
34 taxable income, but only that portion of the refund shall be included as
35 bears the same proportion to the total refund received as the federal taxes
36 deducted in the year to which such refund is attributable bears to the total
37 federal income taxes paid for such year. For purposes of the foregoing
38 sentence, federal taxes shall be considered to have been deducted only to
39 the extent such deduction does not reduce Kansas taxable income below
40 zero.

41 (v) The amount of any depreciation deduction or business expense
42 deduction claimed on the taxpayer's federal income tax return for any
43 capital expenditure in making any building or facility accessible to the

1 handicapped, for which expenditure the taxpayer claimed the credit
2 allowed by K.S.A. 79-32,177, and amendments thereto.

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

6 (vii) The amount of any charitable contribution made to the extent the
7 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
8 32,196, and amendments thereto.

9 (viii) The amount of any costs incurred for improvements to a swine
10 facility, claimed for deduction in determining federal adjusted gross
11 income, to the extent the same is claimed as the basis for any credit
12 allowed pursuant to K.S.A. 2016 Supp. 79-32,204, and amendments
13 thereto.

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

20 (x) Amounts received as nonqualified withdrawals, as defined by
21 K.S.A. 2016 Supp. 75-643, and amendments thereto, if, at the time of
22 contribution to a family postsecondary education savings account, such
23 amounts were subtracted from the federal adjusted gross income pursuant
24 to K.S.A. 79-32,117(c)(xv), and amendments thereto, or if such amounts
25 are not already included in the federal adjusted gross income.

26 (xi) The amount of any contribution made to the same extent the
27 same is claimed as the basis for the credit allowed pursuant to K.S.A. 2016
28 Supp. 74-50,154, and amendments thereto.

29 (xii) For taxable years commencing after December 31, 2004,
30 amounts received as withdrawals not in accordance with the provisions of
31 K.S.A. 2016 Supp. 74-50,204, and amendments thereto, if, at the time of
32 contribution to an individual development account, such amounts were
33 subtracted from the federal adjusted gross income pursuant to subsection
34 (c)(xiii), or if such amounts are not already included in the federal adjusted
35 gross income.

36 (xiii) The amount of any expenditures claimed for deduction in
37 determining federal adjusted gross income, to the extent the same is
38 claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.
39 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

40 (xiv) The amount of any amortization deduction claimed in
41 determining federal adjusted gross income to the extent the same is
42 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,221, and
43 amendments thereto.

1 (xv) The amount of any expenditures claimed for deduction in
2 determining federal adjusted gross income, to the extent the same is
3 claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.
4 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233
5 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-
6 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

7 (xvi) The amount of any amortization deduction claimed in
8 determining federal adjusted gross income to the extent the same is
9 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,227, 79-
10 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments
11 thereto.

12 (xvii) The amount of any amortization deduction claimed in
13 determining federal adjusted gross income to the extent the same is
14 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,256, and
15 amendments thereto.

16 (xviii) For taxable years commencing after December 31, 2006, the
17 amount of any ad valorem or property taxes and assessments paid to a state
18 other than Kansas or local government located in a state other than Kansas
19 by a taxpayer who resides in a state other than Kansas, when the law of
20 such state does not allow a resident of Kansas who earns income in such
21 other state to claim a deduction for ad valorem or property taxes or
22 assessments paid to a political subdivision of the state of Kansas in
23 determining taxable income for income tax purposes in such other state, to
24 the extent that such taxes and assessments are claimed as an itemized
25 deduction for federal income tax purposes.

26 (xix) For ~~all~~ taxable years beginning after December 31, 2012, *and*
27 *ending before January 1, 2017*, the amount of any: (1) Loss from business
28 as determined under the federal internal revenue code and reported from
29 schedule C and on line 12 of the taxpayer's form 1040 federal individual
30 income tax return; (2) loss from rental real estate, royalties, partnerships, S
31 corporations, except those with wholly owned subsidiaries subject to the
32 Kansas privilege tax, estates, trusts, residual interest in real estate
33 mortgage investment conduits and net farm rental as determined under the
34 federal internal revenue code and reported from schedule E and on line 17
35 of the taxpayer's form 1040 federal individual income tax return; and (3)
36 farm loss as determined under the federal internal revenue code and
37 reported from schedule F and on line 18 of the taxpayer's form 1040
38 federal income tax return; all to the extent deducted or subtracted in
39 determining the taxpayer's federal adjusted gross income. For purposes of
40 this subsection, references to the federal form 1040 and federal schedule
41 C, schedule E, and schedule F, shall be to such form and schedules as they
42 existed for tax year 2011, and as revised thereafter by the internal revenue
43 service.

1 (xx) For ~~all~~ taxable years beginning after December 31, 2012, *and*
2 *ending before January 1, 2017*, the amount of any deduction for self-
3 employment taxes under section 164(f) of the federal internal revenue
4 code as in effect on January 1, 2012, and amendments thereto, in
5 determining the federal adjusted gross income of an individual taxpayer, to
6 the extent the deduction is attributable to income reported on schedule C,
7 E or F and on line 12, 17 or 18 of the taxpayer's form 1040 federal income
8 tax return.

9 (xxi) For ~~all~~ taxable years beginning after December 31, 2012, *and*
10 *ending before January 1, 2017*, the amount of any deduction for pension,
11 profit sharing, and annuity plans of self-employed individuals under
12 section 62(a)(6) of the federal internal revenue code as in effect on January
13 1, 2012, and amendments thereto, in determining the federal adjusted gross
14 income of an individual taxpayer.

15 (xxii) For ~~all~~ taxable years beginning after December 31, 2012, *and*
16 *ending before January 1, 2017*, the amount of any deduction for health
17 insurance under section 162(l) of the federal internal revenue code as in
18 effect on January 1, 2012, and amendments thereto, in determining the
19 federal adjusted gross income of an individual taxpayer.

20 (xxiii) For ~~all~~ taxable years beginning after December 31, 2012, *and*
21 *ending before January 1, 2017*, the amount of any deduction for domestic
22 production activities under section 199 of the federal internal revenue code
23 as in effect on January 1, 2012, and amendments thereto, in determining
24 the federal adjusted gross income of an individual taxpayer.

25 (xxiv) For taxable years commencing after December 31, 2013, that
26 portion of the amount of any expenditure deduction claimed in
27 determining federal adjusted gross income for expenses paid for medical
28 care of the taxpayer or the taxpayer's spouse or dependents when such
29 expenses were paid or incurred for an abortion, or for a health benefit plan,
30 as defined in K.S.A. 2016 Supp. 65-6731, and amendments thereto, for the
31 purchase of an optional rider for coverage of abortion in accordance with
32 K.S.A. 2016 Supp. 40-2,190, and amendments thereto, to the extent that
33 such taxes and assessments are claimed as an itemized deduction for
34 federal income tax purposes.

35 (xxv) For taxable years commencing after December 31, 2013, that
36 portion of the amount of any expenditure deduction claimed in
37 determining federal adjusted gross income for expenses paid by a taxpayer
38 for health care when such expenses were paid or incurred for abortion
39 coverage, a health benefit plan, as defined in K.S.A. 2016 Supp. 65-6731,
40 and amendments thereto, when such expenses were paid or incurred for
41 abortion coverage or amounts contributed to health savings accounts for
42 such taxpayer's employees for the purchase of an optional rider for
43 coverage of abortion in accordance with K.S.A. 2016 Supp. 40-2,190, and

1 amendments thereto, to the extent that such taxes and assessments are
2 claimed as a deduction for federal income tax purposes.

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

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

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

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

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

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

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

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

40 (viii) Amounts received by retired railroad employees as a
41 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and
42 228c (a)(1) et seq.

43 (ix) Amounts received by retired employees of a city and by retired

1 employees of any board of such city as retirement allowances pursuant to
2 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter
3 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and
4 amendments thereto.

5 (x) For taxable years beginning after December 31, 1976, the amount
6 of the federal tentative jobs tax credit disallowance under the provisions of
7 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the
8 amount of the targeted jobs tax credit and work incentive credit
9 disallowances under 26 U.S.C. § 280 C.

10 (xi) For taxable years beginning after December 31, 1986, dividend
11 income on stock issued by Kansas venture capital, inc.

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

16 (xiii) For taxable years beginning after December 31, 2004, amounts
17 contributed to and the amount of income earned on contributions deposited
18 to an individual development account under K.S.A. 2016 Supp. 74-50,201
19 et seq., and amendments thereto.

20 (xiv) For all taxable years commencing after December 31, 1996, that
21 portion of any income of a bank organized under the laws of this state or
22 any other state, a national banking association organized under the laws of
23 the United States, an association organized under the savings and loan
24 code of this state or any other state, or a federal savings association
25 organized under the laws of the United States, for which an election as an
26 S corporation under subchapter S of the federal internal revenue code is in
27 effect, which accrues to the taxpayer who is a stockholder of such
28 corporation and which is not distributed to the stockholders as dividends of
29 the corporation. For ~~all~~ taxable years beginning after December 31, 2012,
30 *and ending before January 1, 2017*, the amount of modification under this
31 subsection shall exclude the portion of income or loss reported on schedule
32 E and included on line 17 of the taxpayer's form 1040 federal individual
33 income tax return.

34 (xv) For all taxable years beginning after December 31, 2006,
35 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a
36 joint return, for each designated beneficiary which are contributed to a
37 family postsecondary education savings account established under the
38 Kansas postsecondary education savings program or a qualified tuition
39 program established and maintained by another state or agency or
40 instrumentality thereof pursuant to section 529 of the internal revenue
41 code of 1986, as amended, for the purpose of paying the qualified higher
42 education expenses of a designated beneficiary at an institution of
43 postsecondary education. The terms and phrases used in this paragraph

1 shall have the meaning respectively ascribed thereto by the provisions of
2 K.S.A. 2016 Supp. 75-643, and amendments thereto, and the provisions of
3 such section are hereby incorporated by reference for all purposes thereof.

4 (xvi) For all taxable years beginning after December 31, 2004,
5 amounts received by taxpayers who are or were members of the armed
6 forces of the United States, including service in the Kansas army and air
7 national guard, as a recruitment, sign up or retention bonus received by
8 such taxpayer as an incentive to join, enlist or remain in the armed services
9 of the United States, including service in the Kansas army and air national
10 guard, and amounts received for repayment of educational or student loans
11 incurred by or obligated to such taxpayer and received by such taxpayer as
12 a result of such taxpayer's service in the armed forces of the United States,
13 including service in the Kansas army and air national guard.

14 (xvii) For all taxable years beginning after December 31, 2004,
15 amounts received by taxpayers who are eligible members of the Kansas
16 army and air national guard as a reimbursement pursuant to K.S.A. 48-
17 281, and amendments thereto, and amounts received for death benefits
18 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section
19 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and
20 amendments thereto, to the extent that such death benefits are included in
21 federal adjusted gross income of the taxpayer.

22 (xviii) For the taxable year beginning after December 31, 2006,
23 amounts received as benefits under the federal social security act which
24 are included in federal adjusted gross income of a taxpayer with federal
25 adjusted gross income of \$50,000 or less, whether such taxpayer's filing
26 status is single, head of household, married filing separate or married filing
27 jointly; and for all taxable years beginning after December 31, 2007,
28 amounts received as benefits under the federal social security act which
29 are included in federal adjusted gross income of a taxpayer with federal
30 adjusted gross income of \$75,000 or less, whether such taxpayer's filing
31 status is single, head of household, married filing separate or married filing
32 jointly.

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

35 (xx) For ~~all~~ taxable years beginning after December 31, 2012, *and*
36 *ending before January 1, 2017*, the amount of any: (1) Net profit from
37 business as determined under the federal internal revenue code and
38 reported from schedule C and on line 12 of the taxpayer's form 1040
39 federal individual income tax return; (2) net income, not including
40 guaranteed payments as defined in section 707(c) of the federal internal
41 revenue code and as reported to the taxpayer from federal schedule K-1,
42 (form 1065-B), in box 9, code F or as reported to the taxpayer from federal
43 schedule K-1, (form 1065) in box 4, from rental real estate, royalties,

1 partnerships, S corporations, estates, trusts, residual interest in real estate
2 mortgage investment conduits and net farm rental as determined under the
3 federal internal revenue code and reported from schedule E and on line 17
4 of the taxpayer's form 1040 federal individual income tax return; and (3)
5 net farm profit as determined under the federal internal revenue code and
6 reported from schedule F and on line 18 of the taxpayer's form 1040
7 federal income tax return; all to the extent included in the taxpayer's
8 federal adjusted gross income. For purposes of this subsection, references
9 to the federal form 1040 and federal schedule C, schedule E, and schedule
10 F, shall be to such form and schedules as they existed for tax year 2011
11 and as revised thereafter by the internal revenue service.

12 (xxi) For all taxable years beginning after December 31, 2013,
13 amounts equal to the unreimbursed travel, lodging and medical
14 expenditures directly incurred by a taxpayer while living, or a dependent
15 of the taxpayer while living, for the donation of one or more human organs
16 of the taxpayer, or a dependent of the taxpayer, to another person for
17 human organ transplantation. The expenses may be claimed as a
18 subtraction modification provided for in this section to the extent the
19 expenses are not already subtracted from the taxpayer's federal adjusted
20 gross income. In no circumstances shall the subtraction modification
21 provided for in this section for any individual, or a dependent, exceed
22 \$5,000. As used in this section, "human organ" means all or part of a liver,
23 pancreas, kidney, intestine, lung or bone marrow. The provisions of this
24 paragraph shall take effect on the day the secretary of revenue certifies to
25 the director of the budget that the cost for the department of revenue of
26 modifications to the automated tax system for the purpose of
27 implementing this paragraph will not exceed \$20,000.

28 (xxii) For all taxable years beginning after December 31, 2012, *and*
29 *ending before January 1, 2017*, the amount of net gain from the sale of: (1)
30 Cattle and horses, regardless of age, held by the taxpayer for draft,
31 breeding, dairy or sporting purposes, and held by such taxpayer for 24
32 months or more from the date of acquisition; and (2) other livestock,
33 regardless of age, held by the taxpayer for draft, breeding, dairy or
34 sporting purposes, and held by such taxpayer for 12 months or more from
35 the date of acquisition. The subtraction from federal adjusted gross income
36 shall be limited to the amount of the additions recognized under the
37 provisions of subsection (b)(xix) attributable to the business in which the
38 livestock sold had been used. As used in this paragraph, the term
39 "livestock" shall not include poultry.

40 (xxiii) For all taxable years beginning after December 31, 2012,
41 amounts received under either the Overland Park, Kansas police
42 department retirement plan or the Overland Park, Kansas fire department
43 retirement plan, both as established by the city of Overland Park, pursuant

1 to the city's home rule authority.

2 (xxiv) For all taxable years beginning after December 31, 2013, *and*
3 *ending before January 1, 2017*, the net gain from the sale from Christmas
4 trees grown in Kansas and held by the taxpayer for six years or more.

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

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

14 (f) *No taxpayer shall be assessed penalties and interest arising from*
15 *the underpayment of taxes due to changes to this section that became law*
16 *on July 1, 2017, so long as such underpayment is rectified on or before*
17 *April 17, 2018.*

18 Sec. 6. K.S.A. 2016 Supp. 79-32,120 is hereby amended to read as
19 follows: 79-32,120. (a) (1) If federal taxable income of an individual is
20 determined by itemizing deductions from such individual's federal
21 adjusted gross income, such individual may elect to deduct the Kansas
22 itemized deduction in lieu of the Kansas standard deduction.

23 (2) For the tax year commencing on January 1, 2013, the Kansas
24 itemized deduction of an individual means 70% of the total amount of
25 deductions from federal adjusted gross income, other than federal
26 deductions for personal exemptions, as provided in the federal internal
27 revenue code with the modifications specified in this section.

28 (3) For the tax year commencing on January 1, 2014, the Kansas
29 itemized deduction of an individual means 65% of the total amount of
30 deductions from federal adjusted gross income, other than federal
31 deductions for personal exemptions, as provided in the federal internal
32 revenue code with the modifications specified in this section.

33 (4) For the tax years commencing on and after January 1, 2015, *and*
34 *ending before January 1, 2017*, the Kansas itemized deduction of an
35 individual means the following deductions from federal adjusted gross
36 income, other than federal deductions for personal exemptions, as
37 provided in the federal internal revenue code with the modifications
38 specified in this section: (A) 100% of charitable contributions that qualify
39 as charitable contributions allowable as deductions in section 170 of the
40 federal internal revenue code; (B) 50% of the amount of qualified
41 residence interest as provided in section 163(h) of the federal internal
42 revenue code; and (C) 50% of the amount of taxes on real and personal
43 property as provided in section 164(a) of the federal internal revenue code.

1 (5) *For the tax years commencing on and after January 1, 2017, the*
2 *Kansas itemized deduction of an individual means the following*
3 *deductions from federal adjusted gross income, other than federal*
4 *deductions for personal exemptions, as provided in the federal internal*
5 *revenue code with the modifications specified in this section: (A) 100% of*
6 *charitable contributions that qualify as charitable contributions allowable*
7 *as deductions in section 170 of the federal internal revenue code; (B)*
8 *100% of the amount of qualified residence interest as provided in section*
9 *163(h) of the federal internal revenue code; (C) 100% of the amount of*
10 *taxes on real and personal property as provided in section 164(a) of the*
11 *federal internal revenue code; and (D) 100% of expenses for medical care*
12 *allowable as deductions in section 213 of the federal internal revenue*
13 *code.*

14 (b) The total amount of deductions from federal adjusted gross
15 income shall be reduced by the total amount of income taxes imposed by
16 or paid to this state or any other taxing jurisdiction to the extent that the
17 same are deducted in determining the federal itemized deductions and by
18 the amount of all depreciation deductions claimed for any real or tangible
19 personal property upon which the deduction allowed by K.S.A. 2016
20 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250,
21 79-32,255 or 79-32,256, and amendments thereto, is or has been claimed.

22 Sec. 7. K.S.A. 2016 Supp. 79-32,138 is hereby amended to read as
23 follows: 79-32,138. (a) Kansas taxable income of a corporation taxable
24 under this act shall be the corporation's federal taxable income for the
25 taxable year with the modifications specified in this section.

26 (b) There shall be added to federal taxable income: (i) The same
27 modifications as are set forth in ~~subsection (b)~~ of K.S.A. 79-32,117(b), and
28 amendments thereto, with respect to resident individuals, except
29 subsections (b)(xix), (b)(xx), (b)(xxi), (b)(xxii) and (b)(xxiii);

30 (ii) the amount of all depreciation deductions claimed for any
31 property upon which the deduction allowed by K.S.A. 2016 Supp. 79-
32 32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-
33 32,255 or 79-32,256, and amendments thereto, is claimed;

34 (iii) the amount of any charitable contribution deduction claimed for
35 any contribution or gift to or for the use of any racially segregated
36 educational institution;

37 (iv) for taxable years commencing December 31, 2013, that portion
38 of the amount of any expenditure deduction claimed in determining federal
39 adjusted gross income for expenses paid by a taxpayer for health care
40 when such expenses were paid or incurred for abortion coverage, a health
41 benefit plan, as defined in K.S.A. 2016 Supp. 65-6731, and amendments
42 thereto, when such expenses were paid or incurred for abortion coverage
43 or amounts contributed to health savings accounts for such taxpayer's

1 employees for the purchase of an optional rider for coverage of abortion in
2 accordance with K.S.A. 2016 Supp. 40-2,190, and amendments thereto;

3 (v) the amount of any charitable contribution deduction claimed for
4 any contribution or gift made to a scholarship granting organization to the
5 extent the same is claimed as the basis for the credit allowed pursuant to
6 K.S.A. 2016 Supp. 72-99a07, and amendments thereto; *and*

7 (vi) *the federal net operating loss deduction.*

8 (c) There shall be subtracted from federal taxable income: (i) The
9 same modifications as are set forth in ~~subsection (e) of~~ K.S.A. 79-
10 32,117(c), and amendments thereto, with respect to resident individuals,
11 except subsection (c)(xx);

12 (ii) the federal income tax liability for any taxable year commencing
13 prior to December 31, 1971, for which a Kansas return was filed after
14 reduction for all credits thereon, except credits for payments on estimates
15 of federal income tax, credits for gasoline and lubricating oil tax, and for
16 foreign tax credits if, on the Kansas income tax return for such prior year,
17 the federal income tax deduction was computed on the basis of the federal
18 income tax paid in such prior year, rather than as accrued. Notwithstanding
19 the foregoing, the deduction for federal income tax liability for any year
20 shall not exceed that portion of the total federal income tax liability for
21 such year which bears the same ratio to the total federal income tax
22 liability for such year as the Kansas taxable income, as computed before
23 any deductions for federal income taxes and after application of
24 subsections (d) and (e) of this section as existing for such year, bears to the
25 federal taxable income for the same year;

26 (iii) an amount for the amortization deduction allowed pursuant to
27 K.S.A. 2016 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-
28 32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto;

29 (iv) for all taxable years commencing after December 31, 1987, the
30 amount included in federal taxable income pursuant to the provisions of
31 section 78 of the internal revenue code; *and*

32 (v) for all taxable years commencing after December 31, 1987, 80%
33 of dividends from corporations incorporated outside of the United States or
34 the District of Columbia which are included in federal taxable income.

35 (d) If any corporation derives all of its income from sources within
36 Kansas in any taxable year commencing after December 31, 1979, its
37 Kansas taxable income shall be the sum resulting after application of
38 subsections (a) through (c) hereof. Otherwise, such corporation's Kansas
39 taxable income in any such taxable year, after excluding any refunds of
40 federal income tax and before the deduction of federal income taxes
41 provided by subsection (c)(ii) shall be allocated as provided in K.S.A. 79-
42 3271 to K.S.A. 79-3293, inclusive, and amendments thereto, plus any
43 refund of federal income tax as determined under ~~paragraph (iv) of~~

1 ~~subsection (b) of K.S.A. 79-32,117(b)(iv), and amendments thereto, and~~
2 ~~minus the deduction for federal income taxes as provided by subsection (c)~~
3 ~~(ii) shall be such corporation's Kansas taxable income.~~

4 (e) A corporation may make an election with respect to its first
5 taxable year commencing after December 31, 1982, whereby no addition
6 modifications as provided for in subsection (b)(ii) ~~of K.S.A. 79-32,138,~~
7 ~~and amendments thereto,~~ and subtraction modifications as provided for in
8 subsection (c)(iii) ~~of K.S.A. 79-32,138, and amendments thereto,~~ as those
9 subsections existed prior to their amendment by this act, shall be required
10 to be made for such taxable year.

11 Sec. 8. K.S.A. 2016 Supp. 79-32,271 is hereby amended to read as
12 follows: 79-32,271. (a) For any taxable year commencing after December
13 31, 2014, a credit shall be allowed against the tax imposed by the Kansas
14 income tax act on the Kansas taxable income of an individual income
15 taxpayer who purchased food in this state, had federal adjusted gross
16 income for the tax year that did not exceed \$30,615, and meets the
17 qualifications in subsections (b) and (c).

18 (b) During the entire tax year a taxpayer filing single, head of
19 household, or married filing separate, or the taxpayer and the taxpayer's
20 spouse if married filing jointly, must be domiciled in this state. For
21 purposes of this credit, "domicile" shall not include any correctional
22 facility, or portion thereof, as defined in K.S.A. 75-5202, and amendments
23 thereto, any juvenile correctional facility, or portion thereof, as defined in
24 K.S.A. 38-2302, and amendments thereto, any correctional facility of the
25 federal bureau of prisons located in the state of Kansas, or any city or
26 county jail facility in the state of Kansas.

27 (c) During the entire tax year a taxpayer filing single, head of
28 household, or married filing separate, or the taxpayer or the taxpayer's
29 spouse if married filing jointly, must be either: (1) A person having a
30 disability, regardless of age; (2) a person without a disability who is 55
31 years of age or older; or (3) a person without a disability who is younger
32 than 55 years of age who claims an exemption for one or more dependent
33 children under 18 years of age.

34 (d) The amount of the credit shall be \$125 for every exemption
35 claimed on the taxpayer's federal income tax return, except that no
36 exemption shall be counted for a dependent unless the dependent is a child
37 under 18 years of age.

38 (e) The credit allowed under this provision shall be applied against
39 the taxpayer's income tax liability after all other credits allowed under the
40 income tax act. ~~It shall not be refundable and may not be carried forward~~
41 *For tax year 2017, and all tax years thereafter, if the amount of the credit*
42 *allowed by this section exceeds the taxpayers income tax liability imposed*
43 *under the Kansas income tax act, such excess shall be refunded to the*

1 *taxpayer.*

2 (f) (1) Every taxpayer claiming the credit shall supply the division in
3 support of a claim, reasonable proof of domicile, age and disability.

4 (2) A claim alleging disability shall be supported by a report of the
5 examining physician of the claimant with a statement or certificate that the
6 applicant has a disability as defined in subsection (g).

7 (g) "Disability" means: (1) Inability to engage in any substantial
8 gainful activity by reason of any medically determinable physical or
9 mental impairment which can be expected to result in death or has lasted
10 or can be expected to last for a continuous period of not less than 12
11 months, and an individual shall be determined to be under a disability only
12 if the physical or mental impairment or impairments are of such severity
13 that the individual is not only unable to do the individual's previous work
14 but cannot, considering age, education and work experience, engage in any
15 other kind of substantial gainful work which exists in the national
16 economy, regardless of whether such work exists in the immediate area in
17 which the individual lives or whether a specific job vacancy exists for the
18 individual, or whether the individual would be hired if application was
19 made for work. For purposes of this paragraph, with respect to any
20 individual, "work which exists in the national economy" means work
21 which exists in significant numbers either in the region where the
22 individual lives or in several regions of the country; and "physical or
23 mental impairment" means an impairment that results from anatomical,
24 physiological or psychological abnormalities which are demonstrable by
25 medically acceptable clinical and laboratory diagnostic techniques; or

26 (2) blindness and inability by reason of blindness to engage in
27 substantial gainful activity requiring skills or abilities comparable to those
28 of any gainful activity in which the individual has previously engaged with
29 some regularity and over a substantial period of time. For purposes of this
30 paragraph, "blindness" means central visual acuity of $^{20}/_{200}$ or less in the
31 better eye with the use of a correcting lens. An eye which is accompanied
32 by a limitation in the fields of vision such that the widest diameter of the
33 visual field subtends an angle no greater than 20 degrees shall be
34 considered for the purpose of this paragraph as having a central visual
35 acuity of $^{20}/_{200}$ or less.

36 (h) The secretary of revenue is hereby authorized to adopt such rules
37 and regulations as may be necessary for the administration of the
38 provisions of this section.

39 Sec. 9. K.S.A. 2016 Supp. 79-3310 is hereby amended to read as
40 follows: 79-3310. There is imposed a tax upon all cigarettes sold,
41 distributed or given away within the state of Kansas. On and after July 1,
42 2015, *and before July 1, 2017*, the rate of such tax shall be \$1.29 on each
43 20 cigarettes or fractional part thereof or \$1.61 on each 25 cigarettes, as

1 the case requires. *On and after July 1, 2017, the rate of such tax shall be*
2 *\$2.29 on each 20 cigarettes or fractional part thereof or \$2.86 on each 25*
3 *cigarettes, as the case requires.* Such tax shall be collected and paid to the
4 director as provided in this act. Such tax shall be paid only once and shall
5 be paid by the wholesale dealer first receiving the cigarettes as herein
6 provided.

7 The taxes imposed by this act are hereby levied upon all sales of
8 cigarettes made to any department, institution or agency of the state of
9 Kansas, and to the political subdivisions thereof and their departments,
10 institutions and agencies.

11 Sec. 10. K.S.A. 2016 Supp. 79-3310c is hereby amended to read as
12 follows: 79-3310c. On or before July 31, ~~2015~~ 2017, each wholesale
13 dealer, retail dealer and vending machine operator shall file a report with
14 the director in such form as the director may prescribe showing cigarettes,
15 cigarette stamps and meter imprints on hand at 12:01 a.m. on July 1, ~~2015~~
16 2017. A tax of ~~\$.50~~ \$1 on each 20 cigarettes or fractional part thereof or
17 ~~\$.62~~ \$1.25 on each 25 cigarettes, as the case requires and ~~\$.50 or \$.62~~ \$1
18 or \$1.25, as the case requires upon all tax stamps and all meter imprints
19 purchased from the director and not affixed to cigarettes prior to July 1,
20 ~~2015~~ 2017, is hereby imposed and shall be due and payable on or before
21 October 31, ~~2015~~ 2017. The tax imposed upon such cigarettes, tax stamps
22 and meter imprints shall be imposed only once under this act. The director
23 shall remit all moneys collected pursuant to this section to the state
24 treasurer who shall credit the entire amount thereof to the state general
25 fund.

26 Sec. 11. K.S.A. 2016 Supp. 79-3311 is hereby amended to read as
27 follows: 79-3311. The director shall design and designate indicia of tax
28 payment to be affixed to each package of cigarettes as provided by this act.
29 The director shall sell water applied stamps only to licensed wholesale
30 dealers in the amounts of 1,000 or multiples thereof. Stamps applied by the
31 heat process shall be sold only in amounts of 30,000 or multiples thereof,
32 except that such stamps which are suitable for packages containing 25
33 cigarettes each shall be sold in amounts prescribed by the director. Meter
34 imprints shall be sold only in amounts of 10,000 or multiples thereof.
35 Water applied stamps in amounts of 10,000 or multiples thereof and
36 stamps applied by the heat process and meter imprints shall be supplied to
37 wholesale dealers at a discount of ~~0.55%~~ 0.3% on and after July 1, ~~2015~~
38 2017, and thereafter, from the face value thereof, and shall be deducted at
39 the time of purchase or from the remittance therefor as hereinafter
40 provided. Any wholesale cigarette dealer who shall file with the director a
41 bond, of acceptable form, payable to the state of Kansas with a corporate
42 surety authorized to do business in Kansas, shall be permitted to purchase
43 stamps, and remit therefor to the director within 30 days after each such

1 purchase, up to a maximum outstanding at any one time of 85% of the
2 amount of the bond. Failure on the part of any wholesale dealer to remit as
3 herein specified shall be cause for forfeiture of such dealer's bond. All
4 revenue received from the sale of such stamps or meter imprints shall be
5 remitted to the state treasurer in accordance with the provisions of K.S.A.
6 75-4215, and amendments thereto. Upon receipt of each such remittance,
7 the state treasurer shall deposit the entire amount in the state treasury. The
8 state treasurer shall first credit such amount as the director shall order to
9 the cigarette tax refund fund and shall credit the remaining balance to the
10 state general fund. A refund fund designated the cigarette tax refund fund
11 not to exceed \$10,000 at any time shall be set apart and maintained by the
12 director from taxes collected under this act and held by the state treasurer
13 for prompt payment of all refunds authorized by this act. Such cigarette tax
14 refund fund shall be in such amount as the director shall determine is
15 necessary to meet current refunding requirements under this act.

16 The wholesale cigarette dealer shall affix to each package of cigarettes
17 stamps or tax meter imprints required by this act prior to the sale of
18 cigarettes to any person, by such dealer or such dealer's agent or agents,
19 within the state of Kansas. The director is empowered to authorize
20 wholesale dealers to affix revenue tax meter imprints upon original
21 packages of cigarettes and is charged with the duty of regulating the use of
22 tax meters to secure payment of the proper taxes. No wholesale dealer
23 shall affix revenue tax meter imprints to original packages of cigarettes
24 without first having obtained permission from the director to employ this
25 method of affixation. If the director approves the wholesale dealer's
26 application for permission to affix revenue tax meter imprints to original
27 packages of cigarettes, the director shall require such dealer to file a
28 suitable bond payable to the state of Kansas executed by a corporate surety
29 authorized to do business in Kansas. The director may, to assure the proper
30 collection of taxes imposed by the act, revoke or suspend the privilege of
31 imprinting tax meter imprints upon original packages of cigarettes. All
32 meters shall be under the direct control of the director, and all transfer
33 assignments or anything pertaining thereto must first be authorized by the
34 director. All inks used in the stamping of cigarettes must be of a special
35 type devised for use in connection with the machine employed and
36 approved by the director. All repairs to the meter are strictly prohibited
37 except by a duly authorized representative of the director. Requests for
38 service shall be directed to the director. Meter machine ink imprints on all
39 packages shall be clear and legible. If a wholesale dealer continuously
40 issues illegible cigarette tax meter imprints, it shall be considered
41 sufficient cause for revocation of such dealer's permit to use a cigarette tax
42 meter.

43 A licensed wholesale dealer may, for the purpose of sale in another

1 state, transport cigarettes not bearing Kansas indicia of tax payment
2 through the state of Kansas provided such cigarettes are contained in
3 sealed and original cartons.

4 Sec. 12. K.S.A. 2016 Supp. 79-3312 is hereby amended to read as
5 follows: 79-3312. The director shall redeem any unused stamps or meter
6 imprints that any wholesale dealer presents for redemption within six
7 months after the purchase thereof, at the face value less ~~0.55%~~ 0.3%
8 thereof if such stamps or meter imprints have been purchased from the
9 director. The director shall prepare a voucher showing the net amount of
10 such refund due, and the director of accounts and reports shall draw a
11 warrant on the state treasurer for the same. Wholesale dealers shall be
12 entitled to a refund of the tax paid on cigarettes which have become unfit
13 for sale upon proof thereof less ~~0.55%~~ 0.3% of such tax.

14 Sec. 13. K.S.A. 2016 Supp. 79-3492b is hereby amended to read as
15 follows: 79-3492b. Alternatively to the methods otherwise set forth in this
16 act, special LP-gas permit users operating motor vehicles on the public
17 highways of this state may upon application to the director on forms
18 prescribed by the director elect to pay taxes in advance on LP-gas for each
19 and every motor vehicle owned or operated by them and propelled in
20 whole or in part with LP-gas during the calendar year and thereafter to
21 purchase LP-gas tax free in lieu of securing a bonded user's permit and
22 filing monthly reports and tax payments and keeping the records otherwise
23 provided for in this act. The amount of such tax for each motor vehicle
24 shall, except as otherwise provided, be based upon the gross weight of the
25 motor vehicle and the number of miles it was operated on the public
26 highways of this state during the previous year pursuant to the following
27 schedules:

1 In the event any additional motor vehicles equipped to use LP-gas as a
2 fuel are placed in operation by a special LP-gas permit user after the first
3 month of any calendar year, a tax shall become due and payable to this
4 state and is hereby imposed at the tax rate prescribed herein prorated on
5 the basis of the weight and mileage for the months operated in the calendar
6 year. The director shall issue special permit decals for each motor vehicle
7 on which taxes have been paid in advance as provided herein, which shall
8 be affixed on each such vehicle in the manner prescribed by the director.

9 Sec. 14. K.S.A. 2016 Supp. 79-34,118 is hereby amended to read as
10 follows: 79-34,118. Upon application to the director of taxation and
11 payment of the fee prescribed under this section any interstate motor fuel
12 user may obtain a 24-hour motor fuel permit or a 72-hour motor fuel
13 permit which shall authorize one commercial motor vehicle to be operated
14 for a period of 24 hours or 72 hours, respectively, without compliance with
15 the other provisions of the interstate motor fuel use act and in lieu of the
16 tax imposed by K.S.A. 79-34,109, and amendments thereto. The fee for
17 each 24-hour motor fuel permit issued under this section shall be \$13 *until*
18 *June 30, 2017, and \$15.50 thereafter.* The fee for each 72-hour motor fuel
19 permit issued under this section shall be \$25 *until June 30, 2017, and \$30*
20 *thereafter.* Motor fuel permits may be purchased in multiples of three upon
21 making proper application and payment of the required fees. The secretary
22 of revenue shall adopt rules and regulations specifying the conditions
23 under which motor fuel permits will be issued and providing for the
24 issuance thereof. The secretary may designate agents or contract with
25 private individuals, firms or corporations to issue such motor fuel permits
26 so that such permits will be obtainable at convenient locations.

27 Sec. 15. K.S.A. 2016 Supp. 79-34,141 is hereby amended to read as
28 follows: 79-34,141. (a) *Prior to July 1, 2017,* the tax imposed under this
29 act shall be not less than:

30 (1) On motor-vehicle fuels other than E85 fuels, \$.24 per gallon, or
31 fraction thereof;

32 (2) on special fuels, \$.26 per gallon, or fraction thereof;

33 (3) on LP-gas, other than compressed natural gas and liquefied
34 natural gas, \$.23 per gallon, or fraction thereof;

35 (4) on E85 fuels, \$.17 per gallon, or fraction thereof;

36 (5) on compressed natural gas, \$.24 per gallon, or fraction thereof;
37 and

38 (6) on liquefied natural gas, \$.26 per gallon, or fraction thereof.

39 (b) *On and after July 1, 2017, the tax imposed under this act shall be*
40 *not less than:*

41 (1) *On motor-vehicle fuels other than E85 fuels, \$.29 per gallon, or*
42 *fraction thereof;*

43 (2) *on special fuels, \$.31 per gallon, or fraction thereof;*

1 (3) *on LP-gas, other than compressed natural gas and liquefied*
2 *natural gas, \$.28 per gallon, or fraction thereof;*

3 (4) *on E85 fuels, \$.22 per gallon, or fraction thereof;*

4 (5) *on compressed natural gas, \$.29 per gallon, or fraction thereof;*
5 *and*

6 (6) *on liquefied natural gas, \$.31 per gallon, or fraction thereof.*

7 Sec. 16. K.S.A. 2016 Supp. 79-34,142 is hereby amended to read as
8 follows: 79-34,142. The state treasurer shall credit amounts received
9 pursuant to K.S.A. 79-3408, 79-3408c, 79-3491a, 79-3492 and 79-34,118,
10 and amendments thereto, as follows: *Prior to July 1, 2017, to the state*
11 *highway fund 66.37% and to the special city and county highway fund*
12 *33.63%;*

13 *(b) beginning July 1, 2017, and prior to July 1, 2018, to the state*
14 *highway fund 71.70% and to the special city and county highway fund*
15 *28.30%; and*

16 *(c) beginning July 1, 2018, and thereafter, to the state highway fund*
17 *72.06% and to the special city and county highway fund 27.94%.*

18 Sec. 17. K.S.A. 2016 Supp. 79-3602 is hereby amended to read as
19 follows: 79-3602. Except as otherwise provided, as used in the Kansas
20 retailers' sales tax act:

21 (a) "Agent" means a person appointed by a seller to represent the
22 seller before the member states.

23 (b) "Agreement" means the multistate agreement entitled the
24 streamlined sales and use tax agreement approved by the streamlined sales
25 tax implementing states at Chicago, Illinois on November 12, 2002.

26 (c) "Alcoholic beverages" means beverages that are suitable for
27 human consumption and contain 0.05% or more of alcohol by volume.

28 (d) "Certified automated system (CAS)" means software certified
29 under the agreement to calculate the tax imposed by each jurisdiction on a
30 transaction, determine the amount of tax to remit to the appropriate state
31 and maintain a record of the transaction.

32 (e) "Certified service provider (CSP)" means an agent certified under
33 the agreement to perform all the seller's sales and use tax functions, other
34 than the seller's obligation to remit tax on its own purchases.

35 (f) "Computer" means an electronic device that accepts information
36 in digital or similar form and manipulates it for a result based on a
37 sequence of instructions.

38 (g) "Computer software" means a set of coded instructions designed
39 to cause a computer or automatic data processing equipment to perform a
40 task.

41 (h) "Delivered electronically" means delivered to the purchaser by
42 means other than tangible storage media.

43 (i) "Delivery charges" means charges by the seller of personal

1 property or services for preparation and delivery to a location designated
2 by the purchaser of personal property or services including, but not limited
3 to, transportation, shipping, postage, handling, crating and packing.
4 "Delivery charges" shall not include charges for delivery of direct mail if
5 the charges are separately stated on an invoice or similar billing document
6 given to the purchaser.

7 (j) "Direct mail" means printed material delivered or distributed by
8 United States mail or other delivery services to a mass audience or to
9 addressees on a mailing list provided by the purchaser or at the direction of
10 the purchaser when the cost of the items are not billed directly to the
11 recipients. "Direct mail" includes tangible personal property supplied
12 directly or indirectly by the purchaser to the direct mail seller for inclusion
13 in the package containing the printed material. "Direct mail" does not
14 include multiple items of printed material delivered to a single address.

15 (k) "Director" means the state director of taxation.

16 (l) "Educational institution" means any nonprofit school, college and
17 university that offers education at a level above the 12th grade, and
18 conducts regular classes and courses of study required for accreditation by,
19 or membership in, the North central association of colleges and schools,
20 the state board of education, or that otherwise qualify as an "educational
21 institution," as defined by K.S.A. 74-50,103, and amendments thereto.
22 Such phrase shall include: (1) A group of educational institutions that
23 operates exclusively for an educational purpose; (2) nonprofit endowment
24 associations and foundations organized and operated exclusively to
25 receive, hold, invest and administer moneys and property as a permanent
26 fund for the support and sole benefit of an educational institution; (3)
27 nonprofit trusts, foundations and other entities organized and operated
28 principally to hold and own receipts from intercollegiate sporting events
29 and to disburse such receipts, as well as grants and gifts, in the interest of
30 collegiate and intercollegiate athletic programs for the support and sole
31 benefit of an educational institution; and (4) nonprofit trusts, foundations
32 and other entities organized and operated for the primary purpose of
33 encouraging, fostering and conducting scholarly investigations and
34 industrial and other types of research for the support and sole benefit of an
35 educational institution.

36 (m) "Electronic" means relating to technology having electrical,
37 digital, magnetic, wireless, optical, electromagnetic or similar capabilities.

38 (n) "Food and food ingredients" means substances, whether in liquid,
39 concentrated, solid, frozen, dried or dehydrated form, that are sold for
40 ingestion or chewing by humans and are consumed for their taste or
41 nutritional value. "Food and food ingredients" does not include alcoholic
42 beverages, tobacco, *candy, dietary supplements, soft drinks or food sold*
43 *through vending machines. "Food and food ingredients" does include*

1 *bottled water.*

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

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

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

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

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

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

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

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

40 (q) "Isolated or occasional sale" means the nonrecurring sale of
41 tangible personal property, or services taxable hereunder by a person not
42 engaged at the time of such sale in the business of selling such property or
43 services. Any religious organization which makes a nonrecurring sale of

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

11 (r) "Lease or rental" means any transfer of possession or control of
12 tangible personal property for a fixed or indeterminate term for
13 consideration. A "lease or rental" may include future options to purchase
14 or extend.

15 (1) "Lease or rental" does not include: (A) A transfer of possession or
16 control of property under a security agreement or deferred payment plan
17 that requires the transfer of title upon completion of the required
18 payments;

19 (B) a transfer or possession or control of property under an agreement
20 that requires the transfer of title upon completion of required payments and
21 payment of an option price does not exceed the greater of \$100 or 1% of
22 the total required payments; or

23 (C) providing tangible personal property along with an operator for a
24 fixed or indeterminate period of time. A condition of this exclusion is that
25 the operator is necessary for the equipment to perform as designed. For the
26 purpose of this subsection, an operator must do more than maintain,
27 inspect or set-up the tangible personal property.

28 (2) "Lease or rental" does include agreements covering motor
29 vehicles and trailers where the amount of consideration may be increased
30 or decreased by reference to the amount realized upon sale or disposition
31 of the property as defined in 26 U.S.C. § 7701(h)(1).

32 (3) This definition shall be used for sales and use tax purposes
33 regardless if a transaction is characterized as a lease or rental under
34 generally accepted accounting principles, the internal revenue code, the
35 uniform commercial code, K.S.A. 84-1-101 et seq., and amendments
36 thereto, or other provisions of federal, state or local law.

37 (4) This definition will be applied only prospectively from the
38 effective date of this act and will have no retroactive impact on existing
39 leases or rentals.

40 (s) "Load and leave" means delivery to the purchaser by use of a
41 tangible storage media where the tangible storage media is not physically
42 transferred to the purchaser.

43 (t) "Member state" means a state that has entered in the agreement,

1 pursuant to provisions of article VIII of the agreement.

2 (u) "Model 1 seller" means a seller that has selected a CSP as its
3 agent to perform all the seller's sales and use tax functions, other than the
4 seller's obligation to remit tax on its own purchases.

5 (v) "Model 2 seller" means a seller that has selected a CAS to
6 perform part of its sales and use tax functions, but retains responsibility for
7 remitting the tax.

8 (w) "Model 3 seller" means a seller that has sales in at least five
9 member states, has total annual sales revenue of at least \$500,000,000, has
10 a proprietary system that calculates the amount of tax due each jurisdiction
11 and has entered into a performance agreement with the member states that
12 establishes a tax performance standard for the seller. As used in this
13 subsection a seller includes an affiliated group of sellers using the same
14 proprietary system.

15 (x) "Municipal corporation" means any city incorporated under the
16 laws of Kansas.

17 (y) "Nonprofit blood bank" means any nonprofit place, organization,
18 institution or establishment that is operated wholly or in part for the
19 purpose of obtaining, storing, processing, preparing for transfusing,
20 furnishing, donating or distributing human blood or parts or fractions of
21 single blood units or products derived from single blood units, whether or
22 not any remuneration is paid therefor, or whether such procedures are done
23 for direct therapeutic use or for storage for future use of such products.

24 (z) "Persons" means any individual, firm, copartnership, joint
25 adventure, association, corporation, estate or trust, receiver or trustee, or
26 any group or combination acting as a unit, and the plural as well as the
27 singular number; and shall specifically mean any city or other political
28 subdivision of the state of Kansas engaging in a business or providing a
29 service specifically taxable under the provisions of this act.

30 (aa) "Political subdivision" means any municipality, agency or
31 subdivision of the state which is, or shall hereafter be, authorized to levy
32 taxes upon tangible property within the state or which certifies a levy to a
33 municipality, agency or subdivision of the state which is, or shall hereafter
34 be, authorized to levy taxes upon tangible property within the state. Such
35 term also shall include any public building commission, housing, airport,
36 port, metropolitan transit or similar authority established pursuant to law
37 and the horsethief reservoir benefit district established pursuant to K.S.A.
38 82a-2201, and amendments thereto.

39 (bb) "Prescription" means an order, formula or recipe issued in any
40 form of oral, written, electronic or other means of transmission by a duly
41 licensed practitioner authorized by the laws of this state.

42 (cc) "Prewritten computer software" means computer software,
43 including prewritten upgrades, which is not designed and developed by the

1 author or other creator to the specifications of a specific purchaser. The
2 combining of two or more prewritten computer software programs or
3 prewritten portions thereof does not cause the combination to be other than
4 prewritten computer software. "Prewritten computer software" includes
5 software designed and developed by the author or other creator to the
6 specifications of a specific purchaser when it is sold to a person other than
7 the purchaser. Where a person modifies or enhances computer software of
8 which the person is not the author or creator, the person shall be deemed to
9 be the author or creator only of such person's modifications or
10 enhancements. Prewritten computer software or a prewritten portion
11 thereof that is modified or enhanced to any degree, where such
12 modification or enhancement is designed and developed to the
13 specifications of a specific purchaser, remains prewritten computer
14 software, except that where there is a reasonable, separately stated charge
15 or an invoice or other statement of the price given to the purchaser for
16 such modification or enhancement, such modification or enhancement
17 shall not constitute prewritten computer software.

18 (dd) "Property which is consumed" means tangible personal property
19 which is essential or necessary to and which is used in the actual process
20 of and consumed, depleted or dissipated within one year in: (1) The
21 production, manufacture, processing, mining, drilling, refining or
22 compounding of tangible personal property; (2) the providing of services;
23 (3) the irrigation of crops, for sale in the regular course of business; or (4)
24 the storage or processing of grain by a public grain warehouse or other
25 grain storage facility, and which is not reusable for such purpose. The
26 following is a listing of tangible personal property, included by way of
27 illustration but not of limitation, which qualifies as property which is
28 consumed:

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

34 (B) electricity, gas and water; and

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

37 (ee) "Purchase price" applies to the measure subject to use tax and
38 has the same meaning as sales price.

39 (ff) "Purchaser" means a person to whom a sale of personal property
40 is made or to whom a service is furnished.

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

1 (hh) "Registered under this agreement" means registration by a seller
2 with the member states under the central registration system provided in
3 article IV of the agreement.

4 (ii) "Retailer" means a seller regularly engaged in the business of
5 selling, leasing or renting tangible personal property at retail or furnishing
6 electrical energy, gas, water, services or entertainment, and selling only to
7 the user or consumer and not for resale.

8 (jj) "Retail sale" or "sale at retail" means any sale, lease or rental for
9 any purpose other than for resale, sublease or subrent.

10 (kk) "Sale" or "sales" means the exchange of tangible personal
11 property, as well as the sale thereof for money, and every transaction,
12 conditional or otherwise, for a consideration, constituting a sale, including
13 the sale or furnishing of electrical energy, gas, water, services or
14 entertainment taxable under the terms of this act and including, except as
15 provided in the following provision, the sale of the use of tangible personal
16 property by way of a lease, license to use or the rental thereof regardless of
17 the method by which the title, possession or right to use the tangible
18 personal property is transferred. The term "sale" or "sales" shall not mean
19 the sale of the use of any tangible personal property used as a dwelling by
20 way of a lease or rental thereof for a term of more than 28 consecutive
21 days.

22 (ll) (1) "Sales or selling price" applies to the measure subject to sales
23 tax and means the total amount of consideration, including cash, credit,
24 property and services, for which personal property or services are sold,
25 leased or rented, valued in money, whether received in money or
26 otherwise, without any deduction for the following:

27 (A) The seller's cost of the property sold;

28 (B) the cost of materials used, labor or service cost, interest, losses,
29 all costs of transportation to the seller, all taxes imposed on the seller and
30 any other expense of the seller;

31 (C) charges by the seller for any services necessary to complete the
32 sale, other than delivery and installation charges;

33 (D) delivery charges; and

34 (E) installation charges.

35 (2) "Sales or selling price" includes consideration received by the
36 seller from third parties if:

37 (A) The seller actually receives consideration from a party other than
38 the purchaser and the consideration is directly related to a price reduction
39 or discount on the sale;

40 (B) the seller has an obligation to pass the price reduction or discount
41 through to the purchaser;

42 (C) the amount of the consideration attributable to the sale is fixed
43 and determinable by the seller at the time of the sale of the item to the

1 purchaser; and

2 (D) one of the following criteria is met:

3 (i) The purchaser presents a coupon, certificate or other
4 documentation to the seller to claim a price reduction or discount where
5 the coupon, certificate or documentation is authorized, distributed or
6 granted by a third party with the understanding that the third party will
7 reimburse any seller to whom the coupon, certificate or documentation is
8 presented;

9 (ii) the purchaser identifies to the seller that the purchaser is a
10 member of a group or organization entitled to a price reduction or
11 discount. A preferred customer card that is available to any patron does not
12 constitute membership in such a group; or

13 (iii) the price reduction or discount is identified as a third party price
14 reduction or discount on the invoice received by the purchaser or on a
15 coupon, certificate or other documentation presented by the purchaser.

16 (3) "Sales or selling price" shall not include:

17 (A) Discounts, including cash, term or coupons that are not
18 reimbursed by a third party that are allowed by a seller and taken by a
19 purchaser on a sale;

20 (B) interest, financing and carrying charges from credit extended on
21 the sale of personal property or services, if the amount is separately stated
22 on the invoice, bill of sale or similar document given to the purchaser;

23 (C) any taxes legally imposed directly on the consumer that are
24 separately stated on the invoice, bill of sale or similar document given to
25 the purchaser;

26 (D) the amount equal to the allowance given for the trade-in of
27 property, if separately stated on the invoice, billing or similar document
28 given to the purchaser; and

29 (E) commencing on July 1, 2006, and ending on June 30, 2009, cash
30 rebates granted by a manufacturer to a purchaser or lessee of a new motor
31 vehicle if paid directly to the retailer as a result of the original sale.

32 (mm) "Seller" means a person making sales, leases or rentals of
33 personal property or services.

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

36 (oo) "Sourcing rules" means the rules set forth in K.S.A. 2016 Supp.
37 79-3670 through 79-3673, K.S.A. 12-191 and 12-191a, and amendments
38 thereto, which shall apply to identify and determine the state and local
39 taxing jurisdiction sales or use taxes to pay, or collect and remit on a
40 particular retail sale.

41 (pp) "Tangible personal property" means personal property that can
42 be seen, weighed, measured, felt or touched, or that is in any other manner
43 perceptible to the senses. "Tangible personal property" includes electricity,

1 water, gas, steam and prewritten computer software.

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

4 (rr) "Tobacco" means cigarettes, cigars, chewing or pipe tobacco or
5 any other item that contains tobacco.

6 (ss) "Entity-based exemption" means an exemption based on who
7 purchases the product or who sells the product. An exemption that is
8 available to all individuals shall not be considered an entity-based
9 exemption.

10 (tt) "Over-the-counter" drug means a drug that contains a label that
11 identifies the product as a drug as required by 21 C.F.R. § 201.66. The
12 over-the-counter drug label includes: (1) A drug facts panel; or (2) a
13 statement of the active ingredients with a list of those ingredients
14 contained in the compound, substance or preparation. Over-the-counter
15 drugs do not include grooming and hygiene products such as soaps,
16 cleaning solutions, shampoo, toothpaste, antiperspirants and sun tan
17 lotions and screens.

18 (uu) "Ancillary services" means services that are associated with or
19 incidental to the provision of telecommunications services, including, but
20 not limited to, detailed telecommunications billing, directory assistance,
21 vertical service and voice mail services.

22 (vv) "Conference bridging service" means an ancillary service that
23 links two or more participants of an audio or video conference call and
24 may include the provision of a telephone number. "Conference bridging
25 service" does not include the telecommunications services used to reach
26 the conference bridge.

27 (ww) "Detailed telecommunications billing service" means an
28 ancillary service of separately stating information pertaining to individual
29 calls on a customer's billing statement.

30 (xx) "Directory assistance" means an ancillary service of providing
31 telephone number information or address information, or both.

32 (yy) "Vertical service" means an ancillary service that is offered in
33 connection with one or more telecommunications services, which offers
34 advanced calling features that allow customers to identify callers and to
35 manage multiple calls and call connections, including conference bridging
36 services.

37 (zz) "Voice mail service" means an ancillary service that enables the
38 customer to store, send or receive recorded messages. "Voice mail service"
39 does not include any vertical services that the customer may be required to
40 have in order to utilize the voice mail service.

41 (aaa) "Telecommunications service" means the electronic
42 transmission, conveyance or routing of voice, data, audio, video or any
43 other information or signals to a point, or between or among points. The

1 term "telecommunications service" includes such transmission,
2 conveyance or routing in which computer processing applications are used
3 to act on the form, code or protocol of the content for purposes of
4 transmissions, conveyance or routing without regard to whether such
5 service is referred to as voice over internet protocol services or is
6 classified by the federal communications commission as enhanced or value
7 added. "Telecommunications service" does not include:

8 (1) Data processing and information services that allow data to be
9 generated, acquired, stored, processed or retrieved and delivered by an
10 electronic transmission to a purchaser where such purchaser's primary
11 purpose for the underlying transaction is the processed data or
12 information;

13 (2) installation or maintenance of wiring or equipment on a
14 customer's premises;

15 (3) tangible personal property;

16 (4) advertising, including, but not limited to, directory advertising;

17 (5) billing and collection services provided to third parties;

18 (6) internet access service;

19 (7) radio and television audio and video programming services,
20 regardless of the medium, including the furnishing of transmission,
21 conveyance and routing of such services by the programming service
22 provider. Radio and television audio and video programming services shall
23 include, but not be limited to, cable service as defined in 47 U.S.C. §
24 522(6) and audio and video programming services delivered by
25 commercial mobile radio service providers, as defined in 47 C.F.R. § 20.3;

26 (8) ancillary services; or

27 (9) digital products delivered electronically, including, but not limited
28 to, software, music, video, reading materials or ring tones.

29 (bbb) "800 service" means a telecommunications service that allows a
30 caller to dial a toll-free number without incurring a charge for the call. The
31 service is typically marketed under the name 800, 855, 866, 877 and 888
32 toll-free calling, and any subsequent numbers designated by the federal
33 communications commission.

34 (ccc) "900 service" means an inbound toll telecommunications
35 service purchased by a subscriber that allows the subscriber's customers to
36 call in to the subscriber's prerecorded announcement or live service. "900
37 service" does not include the charge for collection services provided by the
38 seller of the telecommunications services to the subscriber, or service or
39 product sold by the subscriber to the subscriber's customer. The service is
40 typically marketed under the name 900 service, and any subsequent
41 numbers designated by the federal communications commission.

42 (ddd) "Value-added non-voice data service" means a service that
43 otherwise meets the definition of telecommunications services in which

1 computer processing applications are used to act on the form, content,
2 code or protocol of the information or data primarily for a purpose other
3 than transmission, conveyance or routing.

4 (eee) "International" means a telecommunications service that
5 originates or terminates in the United States and terminates or originates
6 outside the United States, respectively. United States includes the District
7 of Columbia or a U.S. territory or possession.

8 (fff) "Interstate" means a telecommunications service that originates
9 in one United States state, or a United States territory or possession, and
10 terminates in a different United States state or a United States territory or
11 possession.

12 (ggg) "Intrastate" means a telecommunications service that originates
13 in one United States state or a United States territory or possession, and
14 terminates in the same United States state or a United States territory or
15 possession.

16 (hhh) *"Bottled water" means water that is placed in a safety sealed*
17 *container or package for human consumption. "Bottled water" is calorie*
18 *free and does not contain sweeteners or other additives, except that it may*
19 *contain:*

20 (1) *Antimicrobial agents;*

21 (2) *fluoride;*

22 (3) *carbonation;*

23 (4) *vitamins, minerals and electrolytes;*

24 (5) *oxygen;*

25 (6) *preservatives; and*

26 (7) *only those flavors, extracts or essences derived from a spice or*
27 *fruit.*

28 *"Bottled water" includes water that is delivered to the buyer in a*
29 *reusable container that is not sold with the water.*

30 (iii) *"Candy" means a preparation of sugar, honey or other natural or*
31 *artificial sweeteners in combination with chocolate, fruits, nuts or other*
32 *ingredients or flavorings in the form of bars, drops or pieces. "Candy"*
33 *shall not include any preparation containing flour and shall require no*
34 *refrigeration.*

35 (jjj) *"Food sold through vending machines" means food dispensed*
36 *from a machine or other mechanical device that accepts payment.*

37 (lll) *"Prepared food" means:*

38 (1) *Food sold in a heated state or heated by the seller;*

39 (2) *two or more food ingredients mixed or combined by the seller for*
40 *sale as a single item; or*

41 (3) *food sold with eating utensils provided by the seller, including*
42 *plates, knives, forks, spoons, glasses, cups, napkins or straws. A plate does*
43 *not include a container or packaging used to transport the food.*

1 *"Prepared food" does not include food that is only cut, repackaged or*
2 *pasteurized by the seller; and eggs, fish, meat, poultry and foods*
3 *containing these raw animal foods requiring cooking by the consumer as*
4 *recommended by the food and drug administration in chapter 3, part*
5 *401.11 of its food code so as to prevent food borne illnesses.*

6 *(mmm) "Soft drinks" means nonalcoholic beverages that contain*
7 *natural or artificial sweeteners. "Soft drinks" does not include beverages*
8 *that contain milk or milk products, soy, rice or similar milk substitutes, or*
9 *greater than 50% of vegetable or fruit juice by volume.*

10 *(nnn) "Dietary supplement" shall have the same meaning ascribed to*
11 *it as in K.S.A. 79-3606(jjj), and amendments thereto.*

12 Sec. 18. K.S.A. 2016 Supp. 79-3603 is hereby amended to read as
13 follows: 79-3603. For the privilege of engaging in the business of selling
14 tangible personal property at retail in this state or rendering or furnishing
15 any of the services taxable under this act, there is hereby levied and there
16 shall be collected and paid a tax at the rate of 6.15%, and commencing
17 July 1, 2015, at the rate of 6.5%. Within a redevelopment district
18 established pursuant to K.S.A. 74-8921, and amendments thereto, there is
19 hereby levied and there shall be collected and paid an additional tax at the
20 rate of 2% until the earlier of the date the bonds issued to finance or
21 refinance the redevelopment project have been paid in full or the final
22 scheduled maturity of the first series of bonds issued to finance any part of
23 the project upon:

24 (a) The gross receipts received from the sale of tangible personal
25 property at retail within this state;

26 (b) the gross receipts from intrastate, interstate or international
27 telecommunications services and any ancillary services sourced to this
28 state in accordance with K.S.A. 2016 Supp. 79-3673, and amendments
29 thereto, except that telecommunications service does not include: (1) Any
30 interstate or international 800 or 900 service; (2) any interstate or
31 international private communications service as defined in K.S.A. 2016
32 Supp. 79-3673, and amendments thereto; (3) any value-added nonvoice
33 data service; (4) any telecommunication service to a provider of
34 telecommunication services which will be used to render
35 telecommunications services, including carrier access services; or (5) any
36 service or transaction defined in this section among entities classified as
37 members of an affiliated group as provided by section 1504 of the federal
38 internal revenue code of 1986, as in effect on January 1, 2001;

39 (c) the gross receipts from the sale or furnishing of gas, water,
40 electricity and heat, which sale is not otherwise exempt from taxation
41 under the provisions of this act, and whether furnished by municipally or
42 privately owned utilities, except that, on and after January 1, 2006, for
43 sales of gas, electricity and heat delivered through mains, lines or pipes to

1 residential premises for noncommercial use by the occupant of such
2 premises, and for agricultural use and also, for such use, all sales of
3 propane gas, the state rate shall be 0%; and for all sales of propane gas, LP
4 gas, coal, wood and other fuel sources for the production of heat or
5 lighting for noncommercial use of an occupant of residential premises, the
6 state rate shall be 0%, but such tax shall not be levied and collected upon
7 the gross receipts from: (1) The sale of a rural water district benefit unit;
8 (2) a water system impact fee, system enhancement fee or similar fee
9 collected by a water supplier as a condition for establishing service; or (3)
10 connection or reconnection fees collected by a water supplier;

11 (d) the gross receipts from the sale of meals or drinks furnished at any
12 private club, drinking establishment, catered event, restaurant, eating
13 house, dining car, hotel, drugstore or other place where meals or drinks are
14 regularly sold to the public;

15 (e) the gross receipts from the sale of admissions to any place
16 providing amusement, entertainment or recreation services including
17 admissions to state, county, district and local fairs, but such tax shall not
18 be levied and collected upon the gross receipts received from sales of
19 admissions to any cultural and historical event which occurs triennially;

20 (f) the gross receipts from the operation of any coin-operated device
21 dispensing or providing tangible personal property, amusement or other
22 services except laundry services, whether automatic or manually operated;

23 (g) the gross receipts from the service of renting of rooms by hotels,
24 as defined by K.S.A. 36-501, and amendments thereto, or by
25 accommodation brokers, as defined by K.S.A. 12-1692, and amendments
26 thereto, but such tax shall not be levied and collected upon the gross
27 receipts received from sales of such service to the federal government and
28 any agency, officer or employee thereof in association with the
29 performance of official government duties;

30 (h) the gross receipts from the service of renting or leasing of tangible
31 personal property except such tax shall not apply to the renting or leasing
32 of machinery, equipment or other personal property owned by a city and
33 purchased from the proceeds of industrial revenue bonds issued prior to
34 July 1, 1973, in accordance with the provisions of K.S.A. 12-1740 through
35 12-1749, and amendments thereto, and any city or lessee renting or leasing
36 such machinery, equipment or other personal property purchased with the
37 proceeds of such bonds who shall have paid a tax under the provisions of
38 this section upon sales made prior to July 1, 1973, shall be entitled to a
39 refund from the sales tax refund fund of all taxes paid thereon;

40 (i) the gross receipts from the rendering of dry cleaning, pressing,
41 dyeing and laundry services except laundry services rendered through a
42 coin-operated device whether automatic or manually operated;

43 (j) the gross receipts from the rendering of the services of washing

1 and washing and waxing of vehicles;

2 (k) the gross receipts from cable, community antennae and other
3 subscriber radio and television services;

4 (l) (1) except as otherwise provided by paragraph (2), the gross
5 receipts received from the sales of tangible personal property to all
6 contractors, subcontractors or repairmen for use by them in erecting
7 structures, or building on, or otherwise improving, altering, or repairing
8 real or personal property.

9 (2) Any such contractor, subcontractor or repairman who maintains
10 an inventory of such property both for sale at retail and for use by them for
11 the purposes described by paragraph (1) shall be deemed a retailer with
12 respect to purchases for and sales from such inventory, except that the
13 gross receipts received from any such sale, other than a sale at retail, shall
14 be equal to the total purchase price paid for such property and the tax
15 imposed thereon shall be paid by the deemed retailer;

16 (m) the gross receipts received from fees and charges by public and
17 private clubs, drinking establishments, organizations and businesses for
18 participation in sports, games and other recreational activities, but such tax
19 shall not be levied and collected upon the gross receipts received from: (1)
20 Fees and charges by any political subdivision, by any organization exempt
21 from property taxation pursuant to K.S.A. 79-201 *Ninth*, and amendments
22 thereto, or by any youth recreation organization exclusively providing
23 services to persons 18 years of age or younger which is exempt from
24 federal income taxation pursuant to section 501(c)(3) of the federal
25 internal revenue code of 1986, for participation in sports, games and other
26 recreational activities; and (2) entry fees and charges for participation in a
27 special event or tournament sanctioned by a national sporting association
28 to which spectators are charged an admission which is taxable pursuant to
29 subsection (e);

30 (n) the gross receipts received from dues charged by public and
31 private clubs, drinking establishments, organizations and businesses,
32 payment of which entitles a member to the use of facilities for recreation
33 or entertainment, but such tax shall not be levied and collected upon the
34 gross receipts received from: (1) Dues charged by any organization exempt
35 from property taxation pursuant to K.S.A. 79-201 *Eighth* and *Ninth*, and
36 amendments thereto; and (2) sales of memberships in a nonprofit
37 organization which is exempt from federal income taxation pursuant to
38 section 501(c)(3) of the federal internal revenue code of 1986, and whose
39 purpose is to support the operation of a nonprofit zoo;

40 (o) the gross receipts received from the isolated or occasional sale of
41 motor vehicles or trailers but not including: (1) The transfer of motor
42 vehicles or trailers by a person to a corporation or limited liability
43 company solely in exchange for stock securities or membership interest in

1 such corporation or limited liability company; (2) the transfer of motor
2 vehicles or trailers by one corporation or limited liability company to
3 another when all of the assets of such corporation or limited liability
4 company are transferred to such other corporation or limited liability
5 company; or (3) the sale of motor vehicles or trailers which are subject to
6 taxation pursuant to the provisions of K.S.A. 79-5101 et seq., and
7 amendments thereto, by an immediate family member to another
8 immediate family member. For the purposes of paragraph (3), immediate
9 family member means lineal ascendants or descendants, and their spouses.
10 Any amount of sales tax paid pursuant to the Kansas retailers sales tax act
11 on the isolated or occasional sale of motor vehicles or trailers on and after
12 July 1, 2004, which the base for computing the tax was the value pursuant
13 to K.S.A. 79-5105(a), (b)(1) and (b)(2), and amendments thereto, when
14 such amount was higher than the amount of sales tax which would have
15 been paid under the law as it existed on June 30, 2004, shall be refunded to
16 the taxpayer pursuant to the procedure prescribed by this section. Such
17 refund shall be in an amount equal to the difference between the amount of
18 sales tax paid by the taxpayer and the amount of sales tax which would
19 have been paid by the taxpayer under the law as it existed on June 30,
20 2004. Each claim for a sales tax refund shall be verified and submitted not
21 later than six months from the effective date of this act to the director of
22 taxation upon forms furnished by the director and shall be accompanied by
23 any additional documentation required by the director. The director shall
24 review each claim and shall refund that amount of tax paid as provided by
25 this act. All such refunds shall be paid from the sales tax refund fund, upon
26 warrants of the director of accounts and reports pursuant to vouchers
27 approved by the director of taxation or the director's designee. No refund
28 for an amount less than \$10 shall be paid pursuant to this act. In
29 determining the base for computing the tax on such isolated or occasional
30 sale, the fair market value of any motor vehicle or trailer traded in by the
31 purchaser to the seller may be deducted from the selling price;

32 (p) the gross receipts received for the service of installing or applying
33 tangible personal property which when installed or applied is not being
34 held for sale in the regular course of business, and whether or not such
35 tangible personal property when installed or applied remains tangible
36 personal property or becomes a part of real estate, except that no tax shall
37 be imposed upon the service of installing or applying tangible personal
38 property in connection with the original construction of a building or
39 facility, the original construction, reconstruction, restoration, remodeling,
40 renovation, repair or replacement of a residence or the construction,
41 reconstruction, restoration, replacement or repair of a bridge or highway.

42 For the purposes of this subsection:

43 (1) "Original construction" shall mean the first or initial construction

1 of a new building or facility. The term "original construction" shall include
2 the addition of an entire room or floor to any existing building or facility,
3 the completion of any unfinished portion of any existing building or
4 facility and the restoration, reconstruction or replacement of a building,
5 facility or utility structure damaged or destroyed by fire, flood, tornado,
6 lightning, explosion, windstorm, ice loading and attendant winds,
7 terrorism or earthquake, but such term, except with regard to a residence,
8 shall not include replacement, remodeling, restoration, renovation or
9 reconstruction under any other circumstances;

10 (2) "building" shall mean only those enclosures within which
11 individuals customarily are employed, or which are customarily used to
12 house machinery, equipment or other property, and including the land
13 improvements immediately surrounding such building;

14 (3) "facility" shall mean a mill, plant, refinery, oil or gas well, water
15 well, feedlot or any conveyance, transmission or distribution line of any
16 cooperative, nonprofit, membership corporation organized under or subject
17 to the provisions of K.S.A. 17-4601 et seq., and amendments thereto, or
18 municipal or quasi-municipal corporation, including the land
19 improvements immediately surrounding such facility;

20 (4) "residence" shall mean only those enclosures within which
21 individuals customarily live;

22 (5) "utility structure" shall mean transmission and distribution lines
23 owned by an independent transmission company or cooperative, the
24 Kansas electric transmission authority or natural gas or electric public
25 utility; and

26 (6) "windstorm" shall mean straight line winds of at least 80 miles per
27 hour as determined by a recognized meteorological reporting agency or
28 organization;

29 (q) the gross receipts received for the service of repairing, servicing,
30 altering or maintaining tangible personal property which when such
31 services are rendered is not being held for sale in the regular course of
32 business, and whether or not any tangible personal property is transferred
33 in connection therewith. The tax imposed by this subsection shall be
34 applicable to the services of repairing, servicing, altering or maintaining an
35 item of tangible personal property which has been and is fastened to,
36 connected with or built into real property;

37 (r) the gross receipts from fees or charges made under service or
38 maintenance agreement contracts for services, charges for the providing of
39 which are taxable under the provisions of subsection (p) or (q);

40 (s) on and after January 1, 2005, the gross receipts received from the
41 sale of prewritten computer software and the sale of the services of
42 modifying, altering, updating or maintaining prewritten computer
43 software, whether the prewritten computer software is installed or

1 delivered electronically by tangible storage media physically transferred to
2 the purchaser or by load and leave;

3 (t) the gross receipts received for telephone answering services;

4 (u) the gross receipts received from the sale of prepaid calling service
5 and prepaid wireless calling service as defined in K.S.A. 2016 Supp. 79-
6 3673, and amendments thereto;

7 (v) all sales of bingo cards, bingo faces and instant bingo tickets by
8 licensees under K.S.A. 2016 Supp. 75-5171 et seq., and amendments
9 thereto, shall be exempt from taxes imposed pursuant to this section; ~~and~~

10 (w) all sales of charitable raffle tickets in accordance with K.S.A.
11 2016 Supp. 75-5171 et seq., and amendments thereto, shall be exempt
12 from taxes imposed pursuant to this section; *and*

13 (x) *commencing July 1, 2017, and thereafter, the gross receipts from*
14 *the sale of food and food ingredients shall be taxed at the rate of 4.5% and*
15 *as further reduced by section 1, and amendments thereto. The provisions*
16 *of this subsection shall not apply to prepared food, unless sold without*
17 *eating utensils provided by the seller and described below:*

18 (1) *Food sold by a seller whose proper primary NAICS classification*
19 *is manufacturing in sector 311, except subsector 3118 (bakeries);*

20 (2) (A) *food sold in an unheated state by weight or volume as a single*
21 *item; or*

22 (B) *only meat or seafood sold in an unheated state by weight or*
23 *volume as a single item;*

24 (3) *bakery items, including bread, rolls, buns, biscuits, bagels,*
25 *croissants, pastries, donuts, danish, cakes, tortes, pies, tarts, muffins, bars,*
26 *cookies and tortillas;*

27 (4) *food sold that ordinarily requires additional cooking, as opposed*
28 *to just reheating, by the consumer prior to consumption; or*

29 (5) *bottled water that is not otherwise sold as prepared food.*

30 Sec. 19. K.S.A. 2016 Supp. 79-3620 is hereby amended to read as
31 follows: 79-3620. (a) All revenue collected or received by the director of
32 taxation from the taxes imposed by this act shall be remitted to the state
33 treasurer in accordance with the provisions of K.S.A. 75-4215, and
34 amendments thereto. Upon receipt of each such remittance, the state
35 treasurer shall deposit the entire amount in the state treasury, less amounts
36 withheld as provided in subsection (b) and amounts credited as provided in
37 subsections (c), (d) and (e), to the credit of the state general fund.

38 (b) A refund fund, designated as "sales tax refund fund" not to exceed
39 \$100,000 shall be set apart and maintained by the director from sales tax
40 collections and estimated tax collections and held by the state treasurer for
41 prompt payment of all sales tax refunds. Such fund shall be in such
42 amount, within the limit set by this section, as the director shall determine
43 is necessary to meet current refunding requirements under this act. In the

1 event such fund as established by this section is, at any time, insufficient to
2 provide for the payment of refunds due claimants thereof, the director shall
3 certify the amount of additional funds required to the director of accounts
4 and reports who shall promptly transfer the required amount from the state
5 general fund to the sales tax refund fund, and notify the state treasurer,
6 who shall make proper entry in the records.

7 (c) (1) On July 1, 2010, the state treasurer shall credit 11.427% of the
8 revenue collected and received from the tax imposed by K.S.A. 79-3603,
9 and amendments thereto, at the rate of 6.3%, and deposited as provided by
10 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
11 the state highway fund.

12 (2) On July 1, 2011, the state treasurer shall credit 11.26% of the
13 revenue collected and received from the tax imposed by K.S.A. 79-3603,
14 and amendments thereto, at the rate of 6.3%, and deposited as provided by
15 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
16 the state highway fund.

17 (3) On July 1, 2012, the state treasurer shall credit 11.233% of the
18 revenue collected and received from the tax imposed by K.S.A. 79-3603,
19 and amendments thereto, at the rate of 6.3%, and deposited as provided by
20 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
21 the state highway fund.

22 (4) On July 1, 2013, the state treasurer shall credit 17.073% of the
23 revenue collected and received from the tax imposed by K.S.A. 79-3603,
24 and amendments thereto, at the rate of 6.15%, and deposited as provided
25 by subsection (a), exclusive of amounts credited pursuant to subsection
26 (d), in the state highway fund.

27 (5) On July 1, 2015, the state treasurer shall credit 16.226% of the
28 revenue collected and received from the tax imposed by K.S.A. 79-3603,
29 and amendments thereto, at the rate of 6.5%, and deposited as provided by
30 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
31 the state highway fund.

32 (6) On July 1, 2016, ~~and thereafter~~, the state treasurer shall credit
33 16.154% of the revenue collected and received from the tax imposed by
34 K.S.A. 79-3603, and amendments thereto, at the rate of 6.5%, and
35 deposited as provided by subsection (a), exclusive of amounts credited
36 pursuant to subsection (d), in the state highway fund.

37 (7) *On July 1, 2017, and thereafter, the state treasurer shall credit*
38 *16.154% of the revenue collected and received from the tax imposed by*
39 *K.S.A. 79-3603, and amendments thereto, at the rates prescribed by that*
40 *section, and deposited as provided by subsection (a), exclusive of amounts*
41 *credited pursuant to subsection (d), in the state highway fund.*

42 (d) The state treasurer shall credit all revenue collected or received
43 from the tax imposed by K.S.A. 79-3603, and amendments thereto, as

1 certified by the director, from taxpayers doing business within that portion
2 of a STAR bond project district occupied by a STAR bond project or
3 taxpayers doing business with such entity financed by a STAR bond
4 project as defined in K.S.A. 2016 Supp. 12-17,162, and amendments
5 thereto, that was determined by the secretary of commerce to be of
6 statewide as well as local importance or will create a major tourism area
7 for the state or the project was designated as a STAR bond project as
8 defined in K.S.A. 2016 Supp. 12-17,162, and amendments thereto, to the
9 city bond finance fund, which fund is hereby created. The provisions of
10 this subsection shall expire when the total of all amounts credited
11 hereunder and under K.S.A. 79-3710(d), and amendments thereto, is
12 sufficient to retire the special obligation bonds issued for the purpose of
13 financing all or a portion of the costs of such STAR bond project.

14 (e) All revenue certified by the director of taxation as having been
15 collected or received from the tax imposed by K.S.A. 79-3603(c), and
16 amendments thereto, on the sale or furnishing of gas, water, electricity and
17 heat for use or consumption within the intermodal facility district
18 described in this subsection, shall be credited by the state treasurer to the
19 state highway fund. Such revenue may be transferred by the secretary of
20 transportation to the rail service improvement fund pursuant to law. The
21 provisions of this subsection shall take effect upon certification by the
22 secretary of transportation that a notice to proceed has been received for
23 the construction of the improvements within the intermodal facility
24 district, but not later than December 31, 2010, and shall expire when the
25 secretary of revenue determines that the total of all amounts credited
26 hereunder and pursuant to K.S.A. 79-3710(e), and amendments thereto, is
27 equal to \$53,300,000, but not later than December 31, 2045. Thereafter, all
28 revenues shall be collected and distributed in accordance with applicable
29 law. For all tax reporting periods during which the provisions of this
30 subsection are in effect, none of the exemptions contained in K.S.A. 79-
31 3601 et seq., and amendments thereto, shall apply to the sale or furnishing
32 of any gas, water, electricity and heat for use or consumption within the
33 intermodal facility district. As used in this subsection, "intermodal facility
34 district" shall consist of an intermodal transportation area as defined by
35 K.S.A. 12-1770a(oo), and amendments thereto, located in Johnson county
36 within the polygonal-shaped area having Waverly Road as the eastern
37 boundary, 191st Street as the southern boundary, Four Corners Road as the
38 western boundary, and Highway 56 as the northern boundary, and the
39 polygonal-shaped area having Poplar Road as the eastern boundary, 183rd
40 Street as the southern boundary, Waverly Road as the western boundary,
41 and the BNSF mainline track as the northern boundary, that includes
42 capital investment in an amount exceeding \$150 million for the
43 construction of an intermodal facility to handle the transfer, storage and

1 distribution of freight through railway and trucking operations.

2 Sec. 20. K.S.A. 2016 Supp. 79-3703 is hereby amended to read as
3 follows: 79-3703. There is hereby levied and there shall be collected from
4 every person in this state a tax or excise for the privilege of using, storing,
5 or consuming within this state any article of tangible personal property.
6 Such tax shall be levied and collected in an amount equal to the
7 consideration paid by the taxpayer multiplied by the rate of 6.5%, *except*
8 *that commencing on July 1, 2017, such rate shall be 4.5% on food and*
9 *food ingredients, and as further reduced by K.S.A. 79-3603(x), and*
10 *amendments thereto.* Within a redevelopment district established pursuant
11 to K.S.A. 74-8921, and amendments thereto, there is hereby levied and
12 there shall be collected and paid an additional tax of 2% until the earlier
13 of: (1) The date the bonds issued to finance or refinance the redevelopment
14 project undertaken in the district have been paid in full; or (2) the final
15 scheduled maturity of the first series of bonds issued to finance the
16 redevelopment project. All property purchased or leased within or without
17 this state and subsequently used, stored or consumed in this state shall be
18 subject to the compensating tax if the same property or transaction would
19 have been subject to the Kansas retailers' sales tax had the transaction been
20 wholly within this state.

21 Sec. 21. K.S.A. 2016 Supp. 79-3710 is hereby amended to read as
22 follows: 79-3710. (a) All revenue collected or received by the director
23 under the provisions of this act shall be remitted to the state treasurer in
24 accordance with the provisions of K.S.A. 75-4215, and amendments
25 thereto. Upon receipt of each such remittance, the state treasurer shall
26 deposit the entire amount in the state treasury, less amounts set apart as
27 provided in subsection (b) and amounts credited as provided in subsection
28 (c), (d) and (e), to the credit of the state general fund.

29 (b) A revolving fund, designated as "compensating tax refund fund"
30 not to exceed \$10,000 shall be set apart and maintained by the director
31 from compensating tax collections and estimated tax collections and held
32 by the state treasurer for prompt payment of all compensating tax refunds.
33 Such fund shall be in such amount, within the limit set by this section, as
34 the director shall determine is necessary to meet current refunding
35 requirements under this act.

36 (c) (1) On July 1, 2010, the state treasurer shall credit 11.427% of the
37 revenue collected and received from the tax imposed by K.S.A. 79-3703,
38 and amendments thereto, at the rate of 6.3%, and deposited as provided by
39 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
40 the state highway fund.

41 (2) On July 1, 2011, the state treasurer shall credit 11.26% of the
42 revenue collected and received from the tax imposed by K.S.A. 79-3703,
43 and amendments thereto, at the rate of 6.3%, and deposited as provided by

1 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
2 the state highway fund.

3 (3) On July 1, 2012, the state treasurer shall credit 11.233% of the
4 revenue collected and received from the tax imposed by K.S.A. 79-3703,
5 and amendments thereto, at the rate of 6.3%, and deposited as provided by
6 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
7 the state highway fund.

8 (4) On July 1, 2013, the state treasurer shall credit 17.073% of the
9 revenue collected and received from the tax imposed by K.S.A. 79-3703,
10 and amendments thereto, at the rate of 6.15%, and deposited as provided
11 by subsection (a), exclusive of amounts credited pursuant to subsection
12 (d), in the state highway fund.

13 (5) On July 1, 2015, the state treasurer shall credit 16.226% of the
14 revenue collected and received from the tax imposed by K.S.A. 79-3703,
15 and amendments thereto, at the rate of 6.5%, and deposited as provided by
16 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
17 the state highway fund.

18 (6) On July 1, 2016, ~~and thereafter~~, the state treasurer shall credit
19 16.154% of the revenue collected and received from the tax imposed by
20 K.S.A. 79-3703, and amendments thereto, at the rate of 6.5%, and
21 deposited as provided by subsection (a), exclusive of amounts credited
22 pursuant to subsection (d), in the state highway fund.

23 *(7) On July 1, 2017, and thereafter, the state treasurer shall credit*
24 *16.154% of the revenue collected and received from the tax imposed by*
25 *K.S.A. 79-3703, and amendments thereto, at the rates prescribed by that*
26 *section, and deposited as provided by subsection (a), exclusive of amounts*
27 *credited pursuant to subsection (d), in the state highway fund.*

28 (d) The state treasurer shall credit all revenue collected or received
29 from the tax imposed by K.S.A. 79-3703, and amendments thereto, as
30 certified by the director, from taxpayers doing business within that portion
31 of a redevelopment district occupied by a redevelopment project that was
32 determined by the secretary of commerce to be of statewide as well as
33 local importance or will create a major tourism area for the state as defined
34 in K.S.A. 12-1770a, and amendments thereto, to the city bond finance
35 fund created by K.S.A. 79-3620(d), and amendments thereto. The
36 provisions of this subsection shall expire when the total of all amounts
37 credited hereunder and under K.S.A. 79-3620(d), and amendments thereto,
38 is sufficient to retire the special obligation bonds issued for the purpose of
39 financing all or a portion of the costs of such redevelopment project.

40 This subsection shall not apply to a project designated as a special bond
41 project as defined in K.S.A. 12-1770a(z), and amendments thereto.

42 (e) All revenue certified by the director of taxation as having been
43 collected or received from the tax imposed by K.S.A. 79-3603(c), and

1 amendments thereto, on the sale or furnishing of gas, water, electricity and
2 heat for use or consumption within the intermodal facility district
3 described in this subsection, shall be credited by the state treasurer to the
4 state highway fund. Such revenue may be transferred by the secretary of
5 transportation to the rail service improvement fund pursuant to law. The
6 provisions of this subsection shall take effect upon certification by the
7 secretary of transportation that a notice to proceed has been received for
8 the construction of the improvements within the intermodal facility
9 district, but not later than December 31, 2010, and shall expire when the
10 secretary of revenue determines that the total of all amounts credited
11 hereunder and pursuant to K.S.A. 79-3620(e), and amendments thereto, is
12 equal to \$53,300,000, but not later than December 31, 2045. Thereafter, all
13 revenues shall be collected and distributed in accordance with applicable
14 law. For all tax reporting periods during which the provisions of this
15 subsection are in effect, none of the exemptions contained in K.S.A. 79-
16 3601 et seq., and amendments thereto, shall apply to the sale or furnishing
17 of any gas, water, electricity and heat for use or consumption within the
18 intermodal facility district. As used in this subsection, "intermodal facility
19 district" shall consist of an intermodal transportation area as defined by
20 K.S.A. 12-1770a(o), and amendments thereto, located in Johnson county
21 within the polygonal-shaped area having Waverly Road as the eastern
22 boundary, 191st Street as the southern boundary, Four Corners Road as the
23 western boundary, and Highway 56 as the northern boundary, and the
24 polygonal-shaped area having Poplar Road as the eastern boundary, 183rd
25 Street as the southern boundary, Waverly Road as the western boundary,
26 and the BNSF mainline track as the northern boundary, that includes
27 capital investment in an amount exceeding \$150 million for the
28 construction of an intermodal facility to handle the transfer, storage and
29 distribution of freight through railway and trucking operations.

30 Sec. 22. K.S.A. 2016 Supp. 79-4501 is hereby amended to read as
31 follows: 79-4501. The title of this act shall be the homestead property tax
32 refund act. The purpose of this act shall be to provide ad valorem tax
33 refunds to: (a) Certain persons who are of qualifying age who own *or rent*
34 their homestead; (b) certain persons who have a disability, who own *or*
35 *rent* their homestead; and (c) certain persons other than persons included
36 under the provisions of (a) or (b) who have low incomes and dependent
37 children and own *or rent* their homestead.

38 Sec. 23. K.S.A. 2016 Supp. 79-4502 is hereby amended to read as
39 follows: 79-4502. As used in this act, unless the context clearly indicates
40 otherwise:

41 (a) "Income" means the sum of adjusted gross income under the
42 Kansas income tax act effective for tax year 2013 and thereafter without
43 regard to any modifications pursuant to K.S.A. 79-32,117(b)(xx) through

1 (xxiii) and (c)(xx), and amendments thereto, maintenance, support money,
2 cash public assistance and relief, not including any refund granted under
3 this act, the gross amount of any pension or annuity, including all
4 monetary retirement benefits from whatever source derived, including but
5 not limited to, all payments received under the railroad retirement act,
6 except disability payments, payments received under the federal social
7 security act, except that for determination of what constitutes income such
8 amount shall not exceed 50% of any such social security payments and
9 shall not include any social security payments to a claimant who prior to
10 attaining full retirement age had been receiving disability payments under
11 the federal social security act in an amount not to exceed the amount of
12 such disability payments or 50% of any such social security payments,
13 whichever is greater, all dividends and interest from whatever source
14 derived not included in adjusted gross income, workers compensation and
15 the gross amount of "loss of time" insurance. Income does not include gifts
16 from nongovernmental sources or surplus food or other relief in kind
17 supplied by a governmental agency, nor shall net operating losses and net
18 capital losses be considered in the determination of income. Income does
19 not include veterans disability pensions. Income does not include disability
20 payments received under the federal social security act.

21 (b) "Household" means a claimant, a claimant and spouse who
22 occupy the homestead or a claimant and one or more individuals not
23 related as husband and wife who together occupy a homestead.

24 (c) "Household income" means all income received by all persons of
25 a household in a calendar year while members of such household.

26 (d) "Homestead" means the dwelling, or any part thereof, *whether*
27 ~~owned and, or rented,~~ *which is* occupied as a residence by the household
28 and so much of the land surrounding it, as defined as a home site for ad
29 valorem tax purposes, and may consist of a part of a multi-dwelling or
30 multi-purpose building and a part of the land upon which it is built or a
31 manufactured home or mobile home and the land upon which it is situated.
32 "Owned" includes a vendee in possession under a land contract, a life
33 tenant, a beneficiary under a trust and one or more joint tenants or tenants
34 in common.

35 (e) "Claimant" means a person who has filed a claim under the
36 provisions of this act and was, during the entire calendar year preceding
37 the year in which such claim was filed for refund under this act, except as
38 provided in K.S.A. 79-4503, and amendments thereto, both domiciled in
39 this state and was: (1) A person having a disability; (2) a person who is 55
40 years of age or older; (3) a disabled veteran; (4) the surviving spouse of
41 active duty military personnel who died in the line of duty; or (5) a person
42 other than a person included under *paragraph* (1), (2), (3) or (4) having
43 one or more dependent children under 18 years of age residing at the

1 person's homestead during the calendar year immediately preceding the
2 year in which a claim is filed under this act. The surviving spouse of a
3 disabled veteran who was receiving benefits pursuant to subsection (e)(3)
4 of this section at the time of the veterans' death, shall be eligible to
5 continue to receive benefits until such time the surviving spouse remarries.

6 When a homestead is occupied by two or more individuals and more
7 than one of the individuals is able to qualify as a claimant, the individuals
8 may determine between them as to whom the claimant will be. If they are
9 unable to agree, the matter shall be referred to the secretary of revenue
10 whose decision shall be final.

11 (f) "Property taxes accrued" means property taxes, exclusive of
12 special assessments, delinquent interest and charges for service, levied on
13 a claimant's homestead in 1979 or any calendar year thereafter by the state
14 of Kansas and the political and taxing subdivisions of the state. When a
15 homestead is owned by two or more persons or entities as joint tenants or
16 tenants in common and one or more of the persons or entities is not a
17 member of claimant's household, "property taxes accrued" is that part of
18 property taxes levied on the homestead that reflects the ownership
19 percentage of the claimant's household. For purposes of this act, property
20 taxes are "levied" when the tax roll is delivered to the local treasurer with
21 the treasurer's warrant for collection. When a claimant and household own
22 their homestead part of a calendar year, "property taxes accrued" means
23 only taxes levied on the homestead when both owned and occupied as a
24 homestead by the claimant's household at the time of the levy, multiplied
25 by the percentage of 12 months that the property was owned and occupied
26 by the household as its homestead in the year. When a household owns and
27 occupies two or more different homesteads in the same calendar year,
28 property taxes accrued shall be the sum of the taxes allocable to those
29 several properties while occupied by the household as its homestead
30 during the year. Whenever a homestead is an integral part of a larger unit
31 such as a multi-purpose or multi-dwelling building, property taxes accrued
32 shall be that percentage of the total property taxes accrued as the value of
33 the homestead is of the total value. For the purpose of this act, the word
34 "unit" refers to that parcel of property covered by a single tax statement of
35 which the homestead is a part.

36 (g) "Disability" means:

37 (1) Inability to engage in any substantial gainful activity by reason of
38 any medically determinable physical or mental impairment which can be
39 expected to result in death or has lasted or can be expected to last for a
40 continuous period of not less than 12 months, and an individual shall be
41 determined to be under a disability only if the physical or mental
42 impairment or impairments are of such severity that the individual is not
43 only unable to do the individual's previous work but cannot, considering

1 age, education and work experience, engage in any other kind of
2 substantial gainful work which exists in the national economy, regardless
3 of whether such work exists in the immediate area in which the individual
4 lives or whether a specific job vacancy exists for the individual, or whether
5 the individual would be hired if application was made for work. *With*
6 *respect to any individual*, for purposes of the preceding sentence ~~(with~~
7 ~~respect to any individual)~~, "work which exists in the national economy"
8 means work which exists in significant numbers either in the region where
9 the individual lives or in several regions of the country; for purposes of
10 this subsection, a "physical or mental impairment" is an impairment that
11 results from anatomical, physiological or psychological abnormalities
12 which are demonstrable by medically acceptable clinical and laboratory
13 diagnostic techniques; or

14 (2) blindness and inability by reason of blindness to engage in
15 substantial gainful activity requiring skills or abilities comparable to those
16 of any gainful activity in which the individual has previously engaged with
17 some regularity and over a substantial period of time.

18 (h) "Blindness" means central visual acuity of $^{20}/_{200}$ or less in the
19 better eye with the use of a correcting lens. An eye which is accompanied
20 by a limitation in the fields of vision such that the widest diameter of the
21 visual field subtends an angle no greater than 20 degrees shall be
22 considered for the purpose of this paragraph as having a central visual
23 acuity of $^{20}/_{200}$ or less.

24 (i) "Disabled veteran" means a person who is a resident of Kansas
25 and has been honorably discharged from active service in any branch of
26 the armed forces of the United States or Kansas national guard and who
27 has been certified by the United States department of veterans affairs or its
28 successor to have a 50% permanent disability sustained through military
29 action or accident or resulting from disease contracted while in such active
30 service.

31 (j) "*Gross rent*" means the rental paid at arm's length solely for the
32 right of occupancy of a homestead or space rental paid to a landlord for
33 the parking of a mobile home, exclusive of charges for any utilities,
34 services, furniture and furnishings or personal property appliances
35 furnished by the landlord as a part of the rental agreement, whether or not
36 expressly set out in the rental agreement. Whenever the director of
37 taxation finds that the landlord and tenant have not dealt with each other
38 at arm's length and that the gross rent charge was excessive, the director
39 may adjust the gross rent to a reasonable amount for the purpose of the
40 claim.

41 (k) "*Rent constituting property taxes accrued*" means 15% of the
42 gross rent actually paid in cash or its equivalent in 2017 or any taxable
43 year thereafter by a claimant and claimant's household solely for the right

1 of occupancy of a Kansas homestead on which ad valorem property taxes
 2 were levied in full for that year. When a household occupies two or more
 3 different homesteads in the same calendar year, rent constituting property
 4 taxes accrued shall be computed by adding the rent constituting property
 5 taxes accrued for each property rented by the household while occupied
 6 by the household as its homestead during the year.

7 Sec. 24. K.S.A. 2016 Supp. 79-4508 is hereby amended to read as
 8 follows: 79-4508. (a) Commencing in the tax year beginning after
 9 December 31, ~~2005~~ 2016, the amount of any claim pursuant to this act
 10 shall be computed by deducting the amount computed under column (2)
 11 from the amount of claimant's property tax accrued *or rent constituting*
 12 *property tax accrued, or both.*

(1)		(2)
Claimants household income		Deduction from property tax accrued <i>or rent constituting property</i> <i>tax accrued, or both</i>
	But not	
	more than	
At least		\$0
\$0	\$6,000	4%
6,001	7,000	4% plus 4% of every \$1,000, or fraction thereof, of income in excess of \$7,001
7,001	16,000	40% plus 5% of every \$1,000, or fraction thereof, of income in excess of \$16,001
16,001	27,000	95%
27,001	27,600	

28 (b) The director of taxation shall prepare a table under which claims
 29 under this act shall be determined. The amount of claim for each bracket
 30 shall be computed only to the nearest \$1.

31 (c) The claimant may elect not to record the amount claimed on the
 32 claim. The claim allowable to persons making this election shall be
 33 computed by the department which shall notify the claimant by mail of the
 34 amount of the allowable claim.

35 (d) ~~In the case of all tax years commencing after December 31, 2004,~~
 36 The upper limit threshold amount prescribed in this section, shall be
 37 increased by an amount equal to such threshold amount multiplied by the
 38 cost-of-living adjustment determined under section 1(f)(3) of the federal
 39 internal revenue code for the calendar year in which the taxable year
 40 commences.

41 Sec. 25. K.S.A. 2016 Supp. 79-4509 is hereby amended to read as
 42 follows: 79-4509. In the event property taxes accrued *or rent constituting*
 43 *property tax accrued, or the sum of both, exceeds \$700 for a household in*

1 any one year, the amount thereof shall, for purposes of this act, be deemed
2 to have been \$700.

3 Sec. 26. K.S.A. 2016 Supp. 79-4511 is hereby amended to read as
4 follows: 79-4511. (a) Every claimant under this act shall supply to the
5 division, in support of a claim, reasonable proof of age or disability, and
6 changes of homestead, household membership, household income, and
7 size and nature of property claimed as the homestead. A claim alleging
8 disability shall be supported by a report of the examining physician of the
9 claimant with a statement or certificate that the applicant has a disability
10 within the meaning of ~~subsection (g) of~~ K.S.A. 79-4502(g), and
11 amendments thereto.

12 (b) Every claimant who is a homestead owner, or whose claim is
13 based wholly or partly upon homestead ownership at some time during the
14 calendar year, shall supply to the division, in support of a claim, the
15 amount of property taxes levied upon the property claimed as a homestead
16 and a statement that the property taxes accrued used for purposes of this
17 act have been or will be paid by the claimant. Upon request by the
18 division, such claimant shall provide a copy of the statement of property
19 taxes levied upon the property claimed as a homestead. The amount of
20 personal property taxes levied on a manufactured home or mobile home
21 shall be set out on the personal property tax statement showing the amount
22 of such tax as a separate item.

23 (c) *Every claimant who is a homestead renter, or whose claim is*
24 *based wholly or partly upon homestead rental at some time during the*
25 *calendar year, shall supply to the division, in support of a claim, a*
26 *statement prescribed by the director certifying the amount of gross rent*
27 *paid and that ad valorem property taxes were levied in full that year on the*
28 *property, all or a part of which was rented by the claimant. When such*
29 *claimant reports household income that is 150% or less of the homestead*
30 *rental amount and such claimant has failed to provide any documentation*
31 *or information requested by the division to verify such household income*
32 *in support of a claim as required pursuant to subsection (a), within 30*
33 *days of such request, such homestead property tax refund claim shall be*
34 *denied.* The information required to be furnished under *this subsection or*
35 *subsection (b) shall be in addition to that required under subsection (a).*

36 Sec. 27. K.S.A. 2016 Supp. 79-4522 is hereby amended to read as
37 follows: 79-4522. A person owning or occupying a homestead *that is not*
38 *rental property and* for which the appraised valuation for property tax
39 purposes exceeds \$350,000 in any year shall not be entitled to claim a
40 refund of property taxes under the homestead property tax refund act for
41 any such year. The provisions of this section shall be part of and
42 supplemental to the homestead property tax refund act.

43 Sec. 28. K.S.A. 2016 Supp. 79-32,110, 79-32,117, 79-32,120, 79-

1 32,138, 79-32,269, 79-32,271, 79-3310, 79-3310c, 79-3311, 79-3312, 79-
2 3492b, 79-34,118, 79-34,141, 79-34,142, 79-3602, 79-3603, 79-3620, 79-
3 3703, 79-3710, 79-4501, 79-4502, 79-4508, 79-4509, 79-4511 and 79-
4 4522 are hereby repealed.

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