

Senate Engrossed

State of Arizona
Senate
Fifty-second Legislature
Second Regular Session
2016

SENATE BILL 1310

AN ACT

AMENDING SECTION 42-5071, ARIZONA REVISED STATUTES; RELATING TO PERSONAL
PROPERTY RENTAL TRANSACTION PRIVILEGE TAX CLASSIFICATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 42-5071, Arizona Revised Statutes, is amended to
3 read:

4 42-5071. Personal property rental classification: definitions

5 A. The personal property rental classification is comprised of the
6 business of leasing or renting tangible personal property for a
7 consideration. The tax does not apply to:

8 1. Leasing or renting films, tapes or slides used by theaters or
9 movies, which are engaged in business under the amusement classification, or
10 used by television stations or radio stations.

11 2. Activities engaged in by the Arizona exposition and state fair
12 board or county fair commissions in connection with events sponsored by such
13 entities.

14 3. Leasing or renting tangible personal property by a parent
15 corporation to a subsidiary corporation or by a subsidiary corporation to
16 another subsidiary of the same parent corporation if taxes were paid under
17 this chapter on the gross proceeds or gross income accruing from the initial
18 sale of the tangible personal property. For the purposes of this paragraph,
19 "subsidiary" means a corporation of which at least eighty percent of the
20 voting shares are owned by the parent corporation.

21 4. Operating coin-operated washing, drying and dry cleaning machines
22 or coin-operated car washing machines at establishments for the use of such
23 machines.

24 5. Leasing or renting tangible personal property for incorporation
25 into or comprising any part of a qualified environmental technology facility
26 as described in section 41-1514.02. This paragraph shall apply for ten full
27 consecutive calendar or fiscal years following the initial lease or rental by
28 each qualified environmental technology manufacturer, producer or processor.

29 6. Leasing or renting aircraft, flight simulators or similar training
30 equipment to students or staff by nonprofit, accredited educational
31 institutions that offer associate or baccalaureate degrees in aviation or
32 aerospace related fields.

33 7. Leasing or renting photographs, transparencies or other creative
34 works used by this state on internet websites, in magazines or in other
35 publications that encourage tourism.

36 8. Leasing or renting certified ignition interlock devices installed
37 pursuant to the requirements prescribed by section 28-1461. For the purposes
38 of this paragraph, "certified ignition interlock device" has the same meaning
39 prescribed in section 28-1301.

40 9. The leasing or renting of space to make attachments to utility
41 poles, as follows:

42 (a) By a person that is engaged in business under section 42-5063 or
43 42-5064 or that is a cable operator.

1 (b) To a person that is engaged in business under section 42-5063 or
2 42-5064 or that is a cable operator.

3 10. LEASING OR RENTING BILLBOARDS THAT ARE DESIGNED, INTENDED OR USED
4 TO ADVERTISE OR INFORM AND THAT ARE VISIBLE FROM ANY STREET, ROAD OR OTHER
5 HIGHWAY.

6 B. The tax base for the personal property rental classification is the
7 gross proceeds of sales or gross income derived from the business, but the
8 gross proceeds of sales or gross income derived from the following shall be
9 deducted from the tax base:

10 1. Reimbursements by the lessee to the lessor of a motor vehicle for
11 payments by the lessor of the applicable fees and taxes imposed by sections
12 28-2003, 28-2352, 28-2402, 28-2481 and 28-5801, title 28, chapter 15,
13 article 2 and article IX, section 11, Constitution of Arizona, to the extent
14 such amounts are separately identified as such fees and taxes and are billed
15 to the lessee.

16 2. Leases or rentals of tangible personal property that, if it had
17 been purchased instead of leased or rented by the lessee, would have been
18 exempt under:

19 (a) Section 42-5061, subsection A, paragraph 8, 9, 12, 13, 25, 29, 49
20 or 53.

21 (b) Section 42-5061, subsection B, except that a lease or rental of
22 new machinery or equipment is not exempt pursuant to:

23 (i) Section 42-5061, subsection B, paragraph 13 if the lease is for
24 less than two years.

25 (ii) Section 42-5061, subsection B, paragraph 21.

26 (c) Section 42-5061, subsection I, paragraph 1.

27 (d) Section 42-5061, subsection M.

28 3. Motor vehicle fuel and use fuel that are subject to a tax imposed
29 under title 28, chapter 16, article 1, sales of use fuel to a holder of a
30 valid single trip use fuel tax permit issued under section 28-5739 and sales
31 of aviation fuel that are subject to the tax imposed under section 28-8344.

32 4. Leasing or renting a motor vehicle subject to and on which the fee
33 has been paid under title 28, chapter 16, article 4.

34 5. Amounts received by a motor vehicle dealer for the first month of a
35 lease payment if the lease and the lease payment for the first month of the
36 lease are transferred to a third-party leasing company.

37 C. Sales of tangible personal property to be leased or rented to a
38 person engaged in a business classified under the personal property rental
39 classification are deemed to be resale sales.

40 D. In computing the tax base, the gross proceeds of sales or gross
41 income from the lease or rental of a motor vehicle does not include any
42 amount attributable to the car rental surcharge under section 5-839, 28-5810
43 or 48-4234.

1 E. Until December 31, 1988, leasing or renting animals for
2 recreational purposes is exempt from the tax imposed by this section.
3 Beginning January 1, 1989, the gross proceeds or gross income from leasing or
4 renting animals for recreational purposes is subject to taxation under this
5 section. Tax liabilities, penalties and interest paid for taxable periods
6 before January 1, 1989 shall not be refunded unless the taxpayer requesting
7 the refund provides proof satisfactory to the department that the monies paid
8 as taxes will be returned to the customer.

9 F. For the purposes of this section:

10 1. "Cable operator" has the same meaning prescribed by section 9-505.

11 2. "Utility pole" means any wooden, metal or other pole used for
12 utility purposes and the pole's appurtenances that are attached or authorized
13 for attachment by the person controlling the pole.