

COMMITTEE ON WAYS & MEANS
HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1116
(Reference to Senate engrossed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Section 42-6004, Arizona Revised Statutes, as amended by
3 Laws 2021, chapter 417, section 10, is amended to read:

4 42-6004. Exemption from municipal tax; definitions

5 A. A city, town or special taxing district shall not levy a
6 transaction privilege, sales, use or other similar tax on:

7 1. Exhibition events in this state sponsored, conducted or operated
8 by a nonprofit organization that is exempt from taxation under section
9 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the
10 organization is associated with a major league baseball team or a national
11 touring professional golfing association and no part of the organization's
12 net earnings inures to the benefit of any private shareholder or
13 individual. This paragraph does not apply to an organization that is
14 owned, managed or controlled, in whole or in part, by a major league
15 baseball team, or its owners, officers, employees or agents, or by a major
16 league baseball association or professional golfing association, or its
17 owners, officers, employees or agents, unless the organization conducted or
18 operated exhibition events in this state before January 1, 2018 that were
19 exempt from state transaction privilege tax under section 42-5073.

20 2. Interstate telecommunications services, which include that
21 portion of telecommunications services, such as subscriber line service,
22 allocable by federal law to interstate telecommunications service.

23 3. Sales of warranty or service contracts.

1 4. Sales of motor vehicles to nonresidents of this state for use
2 outside this state if the motor vehicle dealer ships or delivers the motor
3 vehicle to a destination outside this state.

4 5. Interest on finance contracts.

5 6. Dealer documentation fees on the sales of motor vehicles.

6 7. Orthodontic devices dispensed by a dental professional who is
7 licensed under title 32, chapter 11 to a patient as part of the practice of
8 dentistry.

9 8. Sales of internet access services to the person's subscribers and
10 customers. For the purposes of this paragraph:

11 (a) "Internet" means the computer and telecommunications facilities
12 that comprise the interconnected worldwide network of networks that employ
13 the transmission control protocol or internet protocol, or any predecessor
14 or successor protocol, to communicate information of all kinds by wire or
15 radio.

16 (b) "Internet access" means a service that enables users to access
17 content, information, electronic mail or other services over the internet.
18 Internet access does not include telecommunication services provided by a
19 common carrier.

20 9. The gross proceeds of sales or gross income retained by the
21 Arizona exposition and state fair board from ride ticket sales at the
22 annual Arizona state fair.

23 10. Leasing real property between affiliated companies, businesses,
24 persons or reciprocal insurers. For the purposes of this paragraph:

25 (a) "Affiliated companies, businesses, persons or reciprocal
26 insurers" means the lessor holds a controlling interest in the lessee, the
27 lessee holds a controlling interest in the lessor, affiliated persons hold
28 a controlling interest in both the lessor and the lessee, or an unrelated
29 person holds a controlling interest in both the lessor and lessee.

1 (b) "Affiliated persons" means members of the individual's family or
2 persons who have ownership or control of a business entity.

3 (c) "Controlling interest" means direct or indirect ownership of at
4 least eighty percent of the voting shares of a corporation or of the
5 interests in a company, business or person other than a corporation.

6 (d) "Members of the individual's family" means the individual's
7 spouse and brothers and sisters, whether by whole or half blood, including
8 adopted persons, ancestors and lineal descendants.

9 (e) "Reciprocal insurer" has the same meaning prescribed in section
10 20-762.

11 11. The gross proceeds of sales or gross income derived from a
12 contract for the installation, assembly, repair or maintenance of
13 machinery, equipment or other tangible personal property that is described
14 in section 42-5061, subsection B and that has independent functional
15 utility, pursuant to the following provisions:

16 (a) The deduction provided in this paragraph includes the gross
17 proceeds of sales or gross income derived from all of the following:

18 (i) Any activity performed on machinery, equipment or other tangible
19 personal property with independent functional utility.

20 (ii) Any activity performed on any tangible personal property
21 relating to machinery, equipment or other tangible personal property with
22 independent functional utility in furtherance of any of the purposes
23 provided for under subdivision (d) of this paragraph.

24 (iii) Any activity that is related to the activities described in
25 items (i) and (ii) of this subdivision, including inspecting the
26 installation of or testing the machinery, equipment or other tangible
27 personal property.

28 (b) The deduction provided in this paragraph does not include gross
29 proceeds of sales or gross income from the portion of any contracting
30 activity that consists of the development of, or modification to, real
31 property in order to facilitate the installation, assembly, repair,

1 maintenance or removal of machinery, equipment or other tangible personal
2 property described in section 42-5061, subsection B.

3 (c) The deduction provided in this paragraph shall be determined
4 without regard to the size or useful life of the machinery, equipment or
5 other tangible personal property.

6 (d) For the purposes of this paragraph, "independent functional
7 utility" means that the machinery, equipment or other tangible personal
8 property can independently perform its function without attachment to real
9 property, other than attachment for any of the following purposes:

10 (i) Assembling the machinery, equipment or other tangible personal
11 property.

12 (ii) Connecting items of machinery, equipment or other tangible
13 personal property to each other.

14 (iii) Connecting the machinery, equipment or other tangible personal
15 property, whether as an individual item or as a system of items, to water,
16 power, gas, communication or other services.

17 (iv) Stabilizing or protecting the machinery, equipment or other
18 tangible personal property during operation by bolting, burying or
19 performing other dissimilar nonpermanent connections to either real
20 property or real property improvements.

21 12. The leasing or renting of certified ignition interlock devices
22 installed pursuant to the requirements prescribed by section 28-1461. For
23 the purposes of this paragraph, "certified ignition interlock device" has
24 the same meaning prescribed in section 28-1301.

25 13. Computer data center equipment sold to the owner, operator or
26 qualified colocation tenant of a computer data center that is certified by
27 the Arizona commerce authority under section 41-1519 or an authorized agent
28 of the owner, operator or qualified colocation tenant during the
29 qualification period for use in the qualified computer data center. For
30 the purposes of this paragraph, "computer data center", "computer data
31 center equipment", "qualification period" and "qualified colocation tenant"
32 have the same meanings prescribed in section 41-1519.

1 14. The gross proceeds of sales or gross income derived from a
2 contract with the owner of real property or improvements to real property
3 for the maintenance, repair, replacement or alteration of existing
4 property, except as specified in this paragraph. The gross proceeds of
5 sales or gross income derived from a de minimis amount of modification
6 activity does not subject the contract or any part of the contract to tax.
7 For the purposes of this paragraph:

8 (a) Each contract is independent of another contract, except that
9 any change order that directly relates to the scope of work of the original
10 contract shall be treated the same as the original contract under this
11 paragraph, regardless of the amount of modification activities included in
12 the change order. If a change order does not directly relate to the scope
13 of work of the original contract, the change order shall be treated as a
14 new contract, with the tax treatment of any subsequent change order to
15 follow the tax treatment of the contract to which the scope of work of the
16 subsequent change order directly relates.

17 (b) Any term not defined in this paragraph that is defined in
18 section 42-5075 has the same meaning prescribed in section 42-5075.

19 (c) This paragraph does not apply to a contract that primarily
20 involves surface or subsurface improvements to land and that is subject to
21 title 28, chapter 19, 20 or 22 or title 34, chapter 2 or 6 even if the
22 contract also includes vertical improvements. If a city or town imposes a
23 tax on contracts that are subject to procurement processes under those
24 provisions, the city or town shall include in the request for proposals a
25 notice to bidders when those projects are subject to the tax. This
26 subdivision does not apply to contracts with:

27 (i) Community facilities districts, fire districts, county
28 television improvement districts, community park maintenance districts,
29 cotton pest control districts, hospital districts, pest abatement
30 districts, health service districts, agricultural improvement districts,
31 county free library districts, county jail districts, county stadium

1 districts, special health care districts, public health services districts,
2 theme park districts or revitalization districts.

3 (ii) Any special taxing district not specified in item (i) of this
4 subdivision if the district does not substantially engage in the
5 modification, maintenance, repair, replacement or alteration of surface or
6 subsurface improvements to land.

7 15. Monitoring services relating to an alarm system as defined in
8 section 32-101.

9 16. Tangible personal property, job printing or publications sold to
10 or purchased by, or tangible personal property leased, rented or licensed
11 for use to or by, a qualifying health sciences educational institution as
12 defined in section 42-5001.

13 17. The transfer of title or possession of coal back and forth
14 between an owner or operator of a power plant and a person who is
15 responsible for refining coal if both of the following apply:

16 (a) The transfer of title or possession of the coal is for the
17 purpose of refining the coal.

18 (b) The title or possession of the coal is transferred back to the
19 owner or operator of the power plant after completion of the coal refining
20 process. For the purposes of this subdivision, "coal refining process"
21 means the application of a coal additive system that aids the reduction of
22 power plant emissions during the combustion of coal and the treatment of
23 flue gas.

24 18. Tangible personal property incorporated or fabricated into a
25 project described in paragraph 14 of this subsection, that is located
26 within the exterior boundaries of an Indian reservation for which the
27 owner, as defined in section 42-5075, of the project is an Indian tribe or
28 an affiliated Indian. For the purposes of this paragraph:

29 (a) "Affiliated Indian" means an individual Native American Indian
30 who is duly registered on the tribal rolls of the Indian tribe for whose
31 benefit the Indian reservation was established.

1 (b) "Indian reservation" means all lands that are within the limits
2 of areas set aside by the United States for the exclusive use and occupancy
3 of an Indian tribe by treaty, law or executive order and that are
4 recognized as Indian reservations by the United States department of the
5 interior.

6 (c) "Indian tribe" means any organized nation, tribe, band or
7 community that is recognized as an Indian tribe by the United States
8 department of the interior and includes any entity formed under the laws of
9 that Indian tribe.

10 19. The charges for the leasing or renting of space to make
11 attachments to utility poles as follows:

12 (a) By a person that is engaged in the business of providing or
13 furnishing electrical services or telecommunication services or that is a
14 cable operator.

15 (b) To a person that is engaged in the business of providing or
16 furnishing electrical services or telecommunication services or that is a
17 cable operator.

18 20. Until March 1, 2017, the gross proceeds of sales or gross income
19 derived from entry fees paid by participants for events that consist of a
20 run, walk, swim or bicycle ride or a similar event, or any combination of
21 these events.

22 21. The gross proceeds of sales or gross income derived from entry
23 fees paid by participants for events that are operated or conducted by
24 nonprofit organizations that are exempt from taxation under section
25 501(c)(3) of the internal revenue code and of which no part of the
26 organization's net earnings inures to the benefit of any private
27 shareholder or individual, if the event consists of a run, walk, swim or
28 bicycle ride or a similar event, or any combination of these events.

29 22. The gross proceeds of sales or gross income derived from sales
30 of machinery and equipment used directly for energy storage for later
31 electrical use. For the purposes of this paragraph:

1 (a) "Electric utility scale" means a person that is engaged in a
2 business activity described in section 42-5063, subsection A or such
3 person's equipment or wholesale electricity suppliers.

4 (b) "Energy storage" means commercially available technology for
5 electric utility scale that is capable of absorbing energy, storing energy
6 for a period of time and thereafter dispatching the energy and that uses
7 mechanical, chemical or thermal processes to store energy.

8 (c) "Machinery and equipment used directly" means all machinery and
9 equipment that are used for electric energy storage from the point of
10 receipt of such energy in order to facilitate storage of the electric
11 energy to the point where the electric energy is released.

12 B. A city, town or other taxing jurisdiction shall not levy a
13 transaction privilege, sales, use, franchise or other similar tax or fee,
14 however denominated, on natural gas or liquefied petroleum gas used to
15 propel a motor vehicle.

16 C. A city, town or other taxing jurisdiction shall not levy a
17 transaction privilege, sales, gross receipts, use, franchise or other
18 similar tax or fee, however denominated, on gross proceeds of sales or
19 gross income derived from any of the following:

20 1. A motor carrier's use on the public highways in this state if the
21 motor carrier is subject to a fee prescribed in title 28, chapter 16,
22 article 4.

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

25 3. The sale of a motor vehicle and any repair and replacement parts
26 and tangible personal property becoming a part of such motor vehicle to a
27 motor carrier who is subject to a fee prescribed in title 28, chapter 16,
28 article 4 and who is engaged in the business of leasing, renting or
29 licensing such property.

1 4. Incarcerating or detaining in a privately operated prison, jail
2 or detention facility prisoners who are under the jurisdiction of the
3 United States, this state or any other state or a political subdivision of
4 this state or of any other state.

5 5. Transporting for hire persons, freight or property by light motor
6 vehicles subject to a fee under title 28, chapter 15, article 4.

7 6. Any amount attributable to development fees that are incurred in
8 relation to the construction, development or improvement of real property
9 and paid by the taxpayer as defined in the model city tax code or by a
10 contractor providing services to the taxpayer. For the purposes of this
11 paragraph:

12 (a) The attributable amount shall not exceed the value of the
13 development fees actually imposed.

14 (b) The attributable amount is equal to the total amount of
15 development fees paid by the taxpayer or by a contractor providing services
16 to the taxpayer and the total development fees credited in exchange for the
17 construction of, contribution to or dedication of real property for
18 providing public infrastructure, public safety or other public services
19 necessary to the development. The real property must be the subject of the
20 development fees.

21 (c) "Development fees" means fees imposed to offset capital costs of
22 providing public infrastructure, public safety or other public services to
23 a development and authorized pursuant to section 9-463.05, section 11-1102
24 or title 48 regardless of the jurisdiction to which the fees are paid.

25 7. Any amount attributable to fees collected by transportation
26 network companies issued a permit pursuant to section 28-9552.

27 8. Transporting for hire persons by transportation network company
28 drivers on transactions involving transportation network services as
29 defined in section 28-9551.

1 9. Transporting for hire persons by vehicle for hire companies that
2 are issued permits pursuant to section 28-9503.

3 10. Transporting for hire persons by vehicle for hire drivers on
4 transactions involving vehicle for hire services as defined in section
5 28-9501.

6 D. A city, town or other taxing jurisdiction shall not levy a
7 transaction privilege, sales, use, franchise or other similar tax or fee,
8 however denominated, in excess of one-tenth of one percent of the value of
9 the entire product mined, smelted, extracted, refined, produced or prepared
10 for sale, profit or commercial use, on persons engaged in the business of
11 mineral processing, except to the extent that the tax is computed on the
12 gross proceeds or gross income from sales at retail.

13 E. In computing the tax base, any city, town or other taxing
14 jurisdiction shall not include in the gross proceeds of sales or gross
15 income:

16 1. A manufacturer's cash rebate on the sales price of a motor
17 vehicle if the buyer assigns the buyer's right in the rebate to the
18 retailer.

19 2. The waste tire disposal fee imposed pursuant to section 44-1302.

20 F. A city or town shall not levy a use tax on the storage, use or
21 consumption of tangible personal property in the city or town by a school
22 district or charter school.

23 G. A city, town or taxing jurisdiction shall not levy a transaction
24 privilege, sales, gross receipts, use, franchise or other similar tax or
25 fee, however denominated, on gross proceeds of sales or gross income
26 derived from over-the-top services. For the purposes of this subsection,
27 "over-the-top services" means audio or video programming services that are
28 received by the purchaser by means of an internet connection, regardless of
29 the technology used, that include linear or live programming and that are
30 generally considered comparable to programming provided by a radio or
31 television broadcast station and includes related on-demand programming
32 that is provided at no additional charge, regardless of whether the

1 services are provided independently or packaged with other audio or video
2 programming.

3 H. A CITY, TOWN OR OTHER TAXING JURISDICTION MAY NOT LEVY A
4 TRANSACTION PRIVILEGE, SALES, GROSS RECEIPTS, USE, FRANCHISE OR OTHER
5 SIMILAR TAX OR FEE, HOWEVER DENOMINATED, ON THE BUSINESS OF RENTING OR
6 LEASING REAL PROPERTY FOR RESIDENTIAL PURPOSES. THIS SUBSECTION:

7 1. DOES NOT APPLY TO HEALTH CARE FACILITIES, LONG-TERM CARE
8 FACILITIES OR HOTEL, MOTEL OR OTHER TRANSIENT LODGING BUSINESSES.

9 2. APPLIES REGARDLESS OF WHETHER THE CITY OR TOWN HAS ADOPTED THE
10 MODEL CITY TAX CODE PURSUANT TO ARTICLE 2 OF THIS CHAPTER.

11 ~~H.~~ I. For the purposes of this section:

12 1. "Cable operator" has the same meaning prescribed in section 9-505
13 and includes a video service provider.

14 2. "Electrical services" means transmitting or distributing
15 electricity, electric lights, current or power over lines, wires or cables.

16 3. "Telecommunication services" means transmitting or relaying
17 sound, visual image, data, information, images or material over lines,
18 wires or cables by radio signal, light beam, telephone, telegraph or other
19 electromagnetic means.

20 4. "Utility pole" means any wooden, metal or other pole used for
21 utility purposes and the pole's appurtenances that are attached or
22 authorized for attachment by the person controlling the pole.

23 Sec. 2. Section 42-6004, Arizona Revised Statutes, as amended by
24 Laws 2021, chapter 417, section 11, is amended to read:

25 42-6004. Exemption from municipal tax; definitions

26 A. A city, town or special taxing district shall not levy a
27 transaction privilege, sales, use or other similar tax on:

28 1. Exhibition events in this state sponsored, conducted or operated
29 by a nonprofit organization that is exempt from taxation under section
30 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the
31 organization is associated with a major league baseball team or a national
32 touring professional golfing association and no part of the organization's

1 net earnings inures to the benefit of any private shareholder or
2 individual. This paragraph does not apply to an organization that is
3 owned, managed or controlled, in whole or in part, by a major league
4 baseball team, or its owners, officers, employees or agents, or by a major
5 league baseball association or professional golfing association, or its
6 owners, officers, employees or agents, unless the organization conducted or
7 operated exhibition events in this state before January 1, 2018 that were
8 exempt from state transaction privilege tax under section 42-5073.

9 2. Interstate telecommunications services, which include that
10 portion of telecommunications services, such as subscriber line service,
11 allocable by federal law to interstate telecommunications service.

12 3. Sales of warranty or service contracts.

13 4. Sales of motor vehicles to nonresidents of this state for use
14 outside this state if the motor vehicle dealer ships or delivers the motor
15 vehicle to a destination outside this state.

16 5. Interest on finance contracts.

17 6. Dealer documentation fees on the sales of motor vehicles.

18 7. Orthodontic devices dispensed by a dental professional who is
19 licensed under title 32, chapter 11 to a patient as part of the practice of
20 dentistry.

21 8. Sales of internet access services to the person's subscribers and
22 customers. For the purposes of this paragraph:

23 (a) "Internet" means the computer and telecommunications facilities
24 that comprise the interconnected worldwide network of networks that employ
25 the transmission control protocol or internet protocol, or any predecessor
26 or successor protocol, to communicate information of all kinds by wire or
27 radio.

28 (b) "Internet access" means a service that enables users to access
29 content, information, electronic mail or other services over the internet.
30 Internet access does not include telecommunication services provided by a
31 common carrier.

1 9. The gross proceeds of sales or gross income retained by the
2 Arizona exposition and state fair board from ride ticket sales at the
3 annual Arizona state fair.

4 10. Leasing real property between affiliated companies, businesses,
5 persons or reciprocal insurers. For the purposes of this paragraph:

6 (a) "Affiliated companies, businesses, persons or reciprocal
7 insurers" means the lessor holds a controlling interest in the lessee, the
8 lessee holds a controlling interest in the lessor, affiliated persons hold
9 a controlling interest in both the lessor and the lessee, or an unrelated
10 person holds a controlling interest in both the lessor and lessee.

11 (b) "Affiliated persons" means members of the individual's family or
12 persons who have ownership or control of a business entity.

13 (c) "Controlling interest" means direct or indirect ownership of at
14 least eighty percent of the voting shares of a corporation or of the
15 interests in a company, business or person other than a corporation.

16 (d) "Members of the individual's family" means the individual's
17 spouse and brothers and sisters, whether by whole or half blood, including
18 adopted persons, ancestors and lineal descendants.

19 (e) "Reciprocal insurer" has the same meaning prescribed in section
20 20-762.

21 11. The gross proceeds of sales or gross income derived from a
22 contract for the installation, assembly, repair or maintenance of
23 machinery, equipment or other tangible personal property that is described
24 in section 42-5061, subsection B and that has independent functional
25 utility, pursuant to the following provisions:

26 (a) The deduction provided in this paragraph includes the gross
27 proceeds of sales or gross income derived from all of the following:

28 (i) Any activity performed on machinery, equipment or other tangible
29 personal property with independent functional utility.

1 (ii) Any activity performed on any tangible personal property
2 relating to machinery, equipment or other tangible personal property with
3 independent functional utility in furtherance of any of the purposes
4 provided for under subdivision (d) of this paragraph.

5 (iii) Any activity that is related to the activities described in
6 items (i) and (ii) of this subdivision, including inspecting the
7 installation of or testing the machinery, equipment or other tangible
8 personal property.

9 (b) The deduction provided in this paragraph does not include gross
10 proceeds of sales or gross income from the portion of any contracting
11 activity that consists of the development of, or modification to, real
12 property in order to facilitate the installation, assembly, repair,
13 maintenance or removal of machinery, equipment or other tangible personal
14 property described in section 42-5061, subsection B.

15 (c) The deduction provided in this paragraph shall be determined
16 without regard to the size or useful life of the machinery, equipment or
17 other tangible personal property.

18 (d) For the purposes of this paragraph, "independent functional
19 utility" means that the machinery, equipment or other tangible personal
20 property can independently perform its function without attachment to real
21 property, other than attachment for any of the following purposes:

22 (i) Assembling the machinery, equipment or other tangible personal
23 property.

24 (ii) Connecting items of machinery, equipment or other tangible
25 personal property to each other.

26 (iii) Connecting the machinery, equipment or other tangible personal
27 property, whether as an individual item or as a system of items, to water,
28 power, gas, communication or other services.

29 (iv) Stabilizing or protecting the machinery, equipment or other
30 tangible personal property during operation by bolting, burying or
31 performing other dissimilar nonpermanent connections to either real
32 property or real property improvements.

1 12. The leasing or renting of certified ignition interlock devices
2 installed pursuant to the requirements prescribed by section 28-1461. For
3 the purposes of this paragraph, "certified ignition interlock device" has
4 the same meaning prescribed in section 28-1301.

5 13. Computer data center equipment sold to the owner, operator or
6 qualified colocation tenant of a computer data center that is certified by
7 the Arizona commerce authority under section 41-1519 or an authorized agent
8 of the owner, operator or qualified colocation tenant during the
9 qualification period for use in the qualified computer data center. For
10 the purposes of this paragraph, "computer data center", "computer data
11 center equipment", "qualification period" and "qualified colocation tenant"
12 have the same meanings prescribed in section 41-1519.

13 14. The gross proceeds of sales or gross income derived from a
14 contract with the owner of real property or improvements to real property
15 for the maintenance, repair, replacement or alteration of existing
16 property, except as specified in this paragraph. The gross proceeds of
17 sales or gross income derived from a de minimis amount of modification
18 activity does not subject the contract or any part of the contract to tax.
19 For the purposes of this paragraph:

20 (a) Each contract is independent of another contract, except that
21 any change order that directly relates to the scope of work of the original
22 contract shall be treated the same as the original contract under this
23 paragraph, regardless of the amount of modification activities included in
24 the change order. If a change order does not directly relate to the scope
25 of work of the original contract, the change order shall be treated as a
26 new contract, with the tax treatment of any subsequent change order to
27 follow the tax treatment of the contract to which the scope of work of the
28 subsequent change order directly relates.

29 (b) Any term not defined in this paragraph that is defined in
30 section 42-5075 has the same meaning prescribed in section 42-5075.

1 (c) This paragraph does not apply to a contract that primarily
2 involves surface or subsurface improvements to land and that is subject to
3 title 28, chapter 19, 20 or 22 or title 34, chapter 2 or 6 even if the
4 contract also includes vertical improvements. If a city or town imposes a
5 tax on contracts that are subject to procurement processes under those
6 provisions, the city or town shall include in the request for proposals a
7 notice to bidders when those projects are subject to the tax. This
8 subdivision does not apply to contracts with:

9 (i) Community facilities districts, fire districts, county
10 television improvement districts, community park maintenance districts,
11 cotton pest control districts, hospital districts, pest abatement
12 districts, health service districts, agricultural improvement districts,
13 county free library districts, county jail districts, county stadium
14 districts, special health care districts, public health services districts,
15 theme park districts or revitalization districts.

16 (ii) Any special taxing district not specified in item (i) of this
17 subdivision if the district does not substantially engage in the
18 modification, maintenance, repair, replacement or alteration of surface or
19 subsurface improvements to land.

20 15. Monitoring services relating to an alarm system as defined in
21 section 32-101.

22 16. Tangible personal property, job printing or publications sold to
23 or purchased by, or tangible personal property leased, rented or licensed
24 for use to or by, a qualifying health sciences educational institution as
25 defined in section 42-5001.

26 17. The sale of coal.

27 18. Tangible personal property incorporated or fabricated into a
28 project described in paragraph 14 of this subsection, that is located
29 within the exterior boundaries of an Indian reservation for which the
30 owner, as defined in section 42-5075, of the project is an Indian tribe or
31 an affiliated Indian. For the purposes of this paragraph:

1 (a) "Affiliated Indian" means an individual Native American Indian
2 who is duly registered on the tribal rolls of the Indian tribe for whose
3 benefit the Indian reservation was established.

4 (b) "Indian reservation" means all lands that are within the limits
5 of areas set aside by the United States for the exclusive use and occupancy
6 of an Indian tribe by treaty, law or executive order and that are
7 recognized as Indian reservations by the United States department of the
8 interior.

9 (c) "Indian tribe" means any organized nation, tribe, band or
10 community that is recognized as an Indian tribe by the United States
11 department of the interior and includes any entity formed under the laws of
12 that Indian tribe.

13 19. The charges for the leasing or renting of space to make
14 attachments to utility poles as follows:

15 (a) By a person that is engaged in the business of providing or
16 furnishing electrical services or telecommunication services or that is a
17 cable operator.

18 (b) To a person that is engaged in the business of providing or
19 furnishing electrical services or telecommunication services or that is a
20 cable operator.

21 20. Until March 1, 2017, the gross proceeds of sales or gross income
22 derived from entry fees paid by participants for events that consist of a
23 run, walk, swim or bicycle ride or a similar event, or any combination of
24 these events.

25 21. The gross proceeds of sales or gross income derived from entry
26 fees paid by participants for events that are operated or conducted by
27 nonprofit organizations that are exempt from taxation under section
28 501(c)(3) of the internal revenue code and of which no part of the
29 organization's net earnings inures to the benefit of any private
30 shareholder or individual, if the event consists of a run, walk, swim or
31 bicycle ride or a similar event, or any combination of these events.

1 22. The gross proceeds of sales or gross income derived from sales
2 of machinery and equipment used directly for energy storage for later
3 electrical use. For the purposes of this paragraph:

4 (a) "Electric utility scale" means a person that is engaged in a
5 business activity described in section 42-5063, subsection A or such
6 person's equipment or wholesale electricity suppliers.

7 (b) "Energy storage" means commercially available technology for
8 electric utility scale that is capable of absorbing energy, storing energy
9 for a period of time and thereafter dispatching the energy and that uses
10 mechanical, chemical or thermal processes to store energy.

11 (c) "Machinery and equipment used directly" means all machinery and
12 equipment that are used for electric energy storage from the point of
13 receipt of such energy in order to facilitate storage of the electric
14 energy to the point where the electric energy is released.

15 B. A city, town or other taxing jurisdiction shall not levy a
16 transaction privilege, sales, use, franchise or other similar tax or fee,
17 however denominated, on natural gas or liquefied petroleum gas used to
18 propel a motor vehicle.

19 C. A city, town or other taxing jurisdiction shall not levy a
20 transaction privilege, sales, gross receipts, use, franchise or other
21 similar tax or fee, however denominated, on gross proceeds of sales or
22 gross income derived from any of the following:

23 1. A motor carrier's use on the public highways in this state if the
24 motor carrier is subject to a fee prescribed in title 28, chapter 16,
25 article 4.

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

28 3. The sale of a motor vehicle and any repair and replacement parts
29 and tangible personal property becoming a part of such motor vehicle to a
30 motor carrier who is subject to a fee prescribed in title 28, chapter 16,
31 article 4 and who is engaged in the business of leasing, renting or
32 licensing such property.

1 4. Incarcerating or detaining in a privately operated prison, jail
2 or detention facility prisoners who are under the jurisdiction of the
3 United States, this state or any other state or a political subdivision of
4 this state or of any other state.

5 5. Transporting for hire persons, freight or property by light motor
6 vehicles subject to a fee under title 28, chapter 15, article 4.

7 6. Any amount attributable to development fees that are incurred in
8 relation to the construction, development or improvement of real property
9 and paid by the taxpayer as defined in the model city tax code or by a
10 contractor providing services to the taxpayer. For the purposes of this
11 paragraph:

12 (a) The attributable amount shall not exceed the value of the
13 development fees actually imposed.

14 (b) The attributable amount is equal to the total amount of
15 development fees paid by the taxpayer or by a contractor providing services
16 to the taxpayer and the total development fees credited in exchange for the
17 construction of, contribution to or dedication of real property for
18 providing public infrastructure, public safety or other public services
19 necessary to the development. The real property must be the subject of the
20 development fees.

21 (c) "Development fees" means fees imposed to offset capital costs of
22 providing public infrastructure, public safety or other public services to
23 a development and authorized pursuant to section 9-463.05, section 11-1102
24 or title 48 regardless of the jurisdiction to which the fees are paid.

25 7. Any amount attributable to fees collected by transportation
26 network companies issued a permit pursuant to section 28-9552.

27 8. Transporting for hire persons by transportation network company
28 drivers on transactions involving transportation network services as
29 defined in section 28-9551.

1 9. Transporting for hire persons by vehicle for hire companies that
2 are issued permits pursuant to section 28-9503.

3 10. Transporting for hire persons by vehicle for hire drivers on
4 transactions involving vehicle for hire services as defined in section
5 28-9501.

6 D. A city, town or other taxing jurisdiction shall not levy a
7 transaction privilege, sales, use, franchise or other similar tax or fee,
8 however denominated, in excess of one-tenth of one percent of the value of
9 the entire product mined, smelted, extracted, refined, produced or prepared
10 for sale, profit or commercial use, on persons engaged in the business of
11 mineral processing, except to the extent that the tax is computed on the
12 gross proceeds or gross income from sales at retail.

13 E. In computing the tax base, any city, town or other taxing
14 jurisdiction shall not include in the gross proceeds of sales or gross
15 income:

16 1. A manufacturer's cash rebate on the sales price of a motor
17 vehicle if the buyer assigns the buyer's right in the rebate to the
18 retailer.

19 2. The waste tire disposal fee imposed pursuant to section 44-1302.

20 F. A city or town shall not levy a use tax on the storage, use or
21 consumption of tangible personal property in the city or town by a school
22 district or charter school.

23 G. A city, town or taxing jurisdiction shall not levy a transaction
24 privilege, sales, gross receipts, use, franchise or other similar tax or
25 fee, however denominated, on gross proceeds of sales or gross income
26 derived from over-the-top services. For the purposes of this subsection,
27 "over-the-top services" means audio or video programming services that are
28 received by the purchaser by means of an internet connection, regardless of
29 the technology used, that include linear or live programming and that are
30 generally considered comparable to programming provided by a radio or
31 television broadcast station and includes related on-demand programming
32 that is provided at no additional charge, regardless of whether the

1 services are provided independently or packaged with other audio or video
2 programming.

3 H. A CITY, TOWN OR OTHER TAXING JURISDICTION MAY NOT LEVY A
4 TRANSACTION PRIVILEGE, SALES, GROSS RECEIPTS, USE, FRANCHISE OR OTHER
5 SIMILAR TAX OR FEE, HOWEVER DENOMINATED, ON THE BUSINESS OF RENTING OR
6 LEASING REAL PROPERTY FOR RESIDENTIAL PURPOSES. THIS SUBSECTION:

7 1. DOES NOT APPLY TO HEALTH CARE FACILITIES, LONG-TERM CARE
8 FACILITIES OR HOTEL, MOTEL OR OTHER TRANSIENT LODGING BUSINESSES.

9 2. APPLIES REGARDLESS OF WHETHER THE CITY OR TOWN HAS ADOPTED THE
10 MODEL CITY TAX CODE PURSUANT TO ARTICLE 2 OF THIS CHAPTER.

11 ~~H.~~ I. For the purposes of this section:

12 1. "Cable operator" has the same meaning prescribed in section 9-505
13 and includes a video service provider.

14 2. "Electrical services" means transmitting or distributing
15 electricity, electric lights, current or power over lines, wires or cables.

16 3. "Telecommunication services" means transmitting or relaying
17 sound, visual image, data, information, images or material over lines,
18 wires or cables by radio signal, light beam, telephone, telegraph or other
19 electromagnetic means.

20 4. "Utility pole" means any wooden, metal or other pole used for
21 utility purposes and the pole's appurtenances that are attached or
22 authorized for attachment by the person controlling the pole.

23 Sec. 3. Repeal

24 Section 42-6011, Arizona Revised Statutes, is repealed.

25 Sec. 4. Legislative intent

26 The legislature intends to encourage taxpayers that rent or lease
27 real property for residential purposes to pass along the savings provided
28 to the taxpayer pursuant to this act to the tenant who is renting or
29 leasing the taxpayer's residential property.

30 Sec. 5. Effective date

31 Except as provided in section 6 of this act, this act is effective
32 from and after December 31, 2022.

1 Sec. 6. Conditional enactment; applicability

2 Section 42-6004, Arizona Revised Statutes, as amended by Laws 2021,
3 chapter 417, section 11 and this act, becomes effective on the date
4 prescribed by Laws 2018, chapter 263, section 5 and applies to taxable
5 periods beginning from and after December 31, 2022 but only on the
6 occurrence of the condition prescribed by Laws 2018, chapter 263,
7 section 5."

8 Amend title to conform

And, as so amended, it do pass

SHAWNNA LM BOLICK
CHAIRMAN

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